



Submission to Select Committee examining pre-commitment and ATMs

Introduction

eBet is a manufacturer and supplier of gaming systems often referred to as back of house, player tracking and reward or loyalty systems. The company is also a pioneer in card-account based systems with successful systems implemented in a number of significant gaming machine venues.

eBet is currently the largest and arguably the most experienced supplier of commercial gaming systems to the Australian market. eBet sells, maintains and develops systems in gaming machine venues that enable ticket in ticket out operations, card account based cashless and “line of sight” cashless systems and has led the way in introducing a card based pre-commitment with a trial in Queensland. Additionally, eBet has experience with gaming machine technology being the sole supplier of WMS gaming machines into the Australian market.

This has resulted in an intimate understanding of the technical and commercial considerations involved with introduction of new technology as it relates to the different state based gaming machine markets in Australia.

This submission outlines eBet’s views on the introduction of a technology based pre-commitment solution into the Australian gaming machine market.

Background

Central to most of the current debate and discussion is the “Productivity Commission Inquiry Report – Gambling - No. 50, 26 February 2010” (“PC Report”), in particular the findings and recommendations made to guide Government going forward.

eBet notes that the PC Report found (*Chapter 6, “The benefits of gambling and some implications”*):

- Tax revenue benefits (from gambling): \$12.1 to \$15.8bn
- Costs to problem gamblers: \$4.7 to \$8.4bn
- Overall net benefits: \$3.7 to \$11.1bn

That is, there are large and significant overall benefits derived from the gaming industry in Australia.

In eBet’s view the critical issue identified by the PC Report was that of achieving a reduction in the cost to problem gamblers while maintaining or increasing the overall benefit derived from the gaming industry.

The report contained numerous findings and recommendations to address the issue of problem gambling and in this case the recommendation under consideration is the introduction of technology based pre-commitment.



Technology based pre-commitment

eBet submits that any technology based pre-commitment solution must be practical. Practicality involves solutions which are technically proven in a gaming environment, cost effective and designed to minimise player resistance, that is, maximise player acceptance. There is little value in introducing technology which players do not accept or use solutions that offer little or no benefit to venues.

From a technology perspective venue based mandatory schemes can be implemented as readily as voluntary schemes. However eBet believes that the negative impact on revenue due to player resistance coupled with a lack of evidence that a mandatory scheme will be effective in reducing problem gambling will result in such a scheme not achieving the desired outcome, that is, improving overall net benefit available from the gaming industry.

For maximum overall benefit eBet believes that the available evidence and experience suggests players should be free to choose whether they make use of technology based pre-commitment tools made available to them and what limits they wish to set, that is, pre-commitment should be voluntary.

The evidence shows that from an acceptance perspective the main concerns of players appear to centre on identification and privacy. These are in turn related to issues involving personal freedom, choice and individual responsibility. Such concerns are supported by studies of pre-commitment undertaken in Queensland (Sandgate RSL), South Australia and Federal Government commissioned research (Gambling Research Australia).

In Queensland a trial of a venue based system/card gaming was conducted and a report by Schottler Consulting clearly identifies intrusive identification procedures as a barrier to uptake by patrons. The McDonnell-Philips report into pre-commitment prepared for Gambling Research Australia suggests that card based gaming pre commitment is broadly acceptable to players however there are major concerns regarding the introduction of this technology which revolve around issues of voluntary versus mandatory, ability to set own limits and privacy. Experience with card based pre-commitment in Nova Scotia also provides evidence of the measures considered necessary to ensure the anonymity of player information, that is, protection of player information from both public and regulatory scrutiny.

In this respect it is notable that card based gaming is already broadly acceptable to players and that greater acceptance should follow if appropriate solutions are offered in a manner that helps to allay the player concerns noted above and is simple for players to use.

eBet believes that card based pre-commitment offers a proven practical solution for achieving a cost effective and acceptable method of delivering technology based pre-commitment. In the longer term as consumer acceptance grows and guided by sound evidence based research into problem gambling, voluntary card based systems have the potential to be further developed in order to provide more sophisticated consumer protection measures coupled with greater commercial opportunities for gaming machine venues.



Outline of a card based pre-commitment solution

The PC Report has already identified the widespread use of player cards in gaming machine markets such as New South Wales. These cards are typically utilised for player reward schemes, that is, accumulating bonus points or similar reward mechanisms and have been an accepted feature of gaming machine play for decades. In a lesser but not insignificant and growing number of venues players are also utilising cards for account based gaming. These cards not only allow for the functionality provided by player cards, that is, player reward schemes, but also the ability to maintain a player account which can be used for accessing funds to play gaming machines.

Cards allow players to readily move between machines in a venue without the need to carry cash and for venues a means of centralising the cash handling. Centralisation of cash handling as far as possible assists with security and introduces operational efficiencies. The operational efficiencies are not limited to gaming alone as eBet systems facilitate numerous administrative functions including staff rostering, accounting and reconciliation, preparation of mandatory reports and many others.

The solution proposed by eBet builds on already installed and proven system based card technology by introducing the concept of an anonymous card. The anonymous card builds on already proven account based technology which is known and accepted in Australian gaming venues.

The difference in the case of anonymous account based play is that a player would not be required to provide the same level of identification as is the case with member loyalty cards or full account based card play.

The level of identification can be minimal (e.g. pin or birth date) or zero depending on considerations such as how to manage lost or stolen cards. However the important distinction between this and full card account based play is that only the player can associate the card/account with themselves. The system still creates an account for the particular card and records the playing history but the player remains anonymous to any other persons including those that have access to the system.

The system can be utilised to provide more accurate and directed alerts/messages at strategic times compared to solutions that offer randomly generated messages. As with full card account systems players can also choose to set limits on their play and be alerted when these limits are reached.

In eBet's opinion such an approach has the advantage of removing the primary barriers to card usage, that is, identification/privacy concerns thereby encouraging wider use and acceptance of card based gaming generally. eBet believes that this approach represents a natural evolutionary process as opposed to a revolutionary approach.

The player and venue gain advantages which include the ability to move between gaming machines without the need for cash and centralising cash handling by minimising the amount of cash kept in the machine. While ticket in ticket out technology also facilitates movement between gaming machines each transaction generates a new ticket and venues are required to account for all tickets which run into the tens of thousands for busy venues and tickets are not able to facilitate pre-commitment. Card based gaming eliminates these shortcomings and offers what is arguably the most efficient system of operation from both a player and venue perspective.

It is also important to note that a system based solution means venue wide coverage of all gaming machines as opposed to the coverage provided by real-world machine based solutions.



Unless significant complexities are introduced machine based solutions cannot easily be used to monitor play once a player moves between machines. The impact of such complexities on player acceptance and operational performance are unknown and untested.

The anonymous card solution proposed is simple but still capable of recording details of a “playing session” which covers all machines within a venue in a convenient and unobtrusive manner that ensures player anonymity.

The cost

An accurate assessment of average cost per machine is difficult and potentially misleading as a number of factors need to be taken into account. It is more instructive to examine the particular situation in each state and the venue gaming machine profile when considering cost.

The most mature market with the greatest number of gaming machines is NSW with approximately 50% of all machines in Australia, and in our view forms a good basis for examining cost considerations.

A profile of NSW shows that clubs operate around 72,000 gaming machines while hotels operate around 24,000 and the casino 1,500.

The larger clubs generally have systems installed and it is estimated that around 400 or more of the larger clubs operate systems and account for around 56,000 of all gaming machines operated. The cost of providing for card based pre-commitment within this group will vary depending on the system currently installed and can range from very low e.g. cost of a relatively minor system upgrade through to a major system upgrade or possibly a new system. For medium and smaller clubs that do not operate systems a system would require to be installed and the cost would be that of a new installation.

In the case of hotels the penetration of systems is lower although a not insignificant number of larger operator groups have installed systems. It is expected that similar costs per machine to those applicable to larger clubs would apply in this case and for other hotels costs similar to that of small medium clubs would apply.

An accurate estimate of average of cost per machine would need to take all of these factors into account.

In terms of cost it is relevant to note that utilising cards brings operational efficiency to those venues that do not currently operate systems. The operational efficiency goes well beyond that associated with monitoring gaming activity alone and can include streamlining the administration of business activity with functions such as accounting and reconciliation, work rosters, payroll, and other business functions such as mandatory reporting requirements. For venue patrons features such as loyalty/reward schemes and promotions that are commonly associated with such systems are also available.

While there will certainly be a cost involved it is possible that there are methods or arrangements that can be devised to mitigate the cost impact. This is an area of consideration that in eBet’s view has not been explored.



By way of example financial arrangements such as leasing or rental packages that do not require a large upfront capital investment by the venue could be considered.

It may also be appropriate to consider exempting the smallest venues based on a risk or cost-benefit approach. In this respect it is noted that the PC report already recognises venues with less than 10 machines by proposing a “temporary exemption” (PC Report, Ch 10, p10.39).

Conclusion

For reasons outlined above any solution should be voluntary, venue based and cognisant of player and venue perceptions as they relate to privacy and personal responsibility issues.

Failure to seriously consider these factors will not achieve an outcome where the negative aspects of gaming are reduced while maintaining or increasing the net benefits provided by the gaming industry.

eBet believes that venue card based gaming is the most suitable technology for delivering a pre-commitment solution because it is proven, practical and in other formats such as loyalty/rewards and general business management is already widely accepted by venues and patrons. That is, card based gaming as described offers an evolutionary path for achieving practical technology based pre-commitment.