Regis Controls Pty Ltd Submission to: Joint Select Committee on Gambling Reform

Regis Controls Pty Ltd

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This report contains 38 Pages + attached patent - Joint Select Committee on Gambling Reform - Regis Controls Pty Ltd 21/01/2011

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1. Executive Summary

Dear Members of the Joint Select Committee on Gambling Reform,

This submission is provided by Regis Controls Pty Ltd and addresses some of the key issues relating to the selection and implementation of a national pre-commitment system for the safeguard of current, at risk and future problem gamblers.

The Federal Government released the Productivity Commission Final Report into Gambling on 23 June 2010.The Federal Government, States and Territories are currently working through the report's recommendations through COAG Select Council on Gambling Reform.

The Federal Government has recognised the efforts to minimise the harm caused by gambling and has the potential to significantly improve the lives of problem gamblers and those affected by their addiction. The Productivity Commission report found that a mandatory national pre-commitment system for electronic gaming machines (EGM) is a strong, practicable and ultimately cost effective option to minimise the harm and costs associated with problem gambling. It would empower people to take responsibility for their own spending behaviour, by providing them with a tool to avoid exceeding their limit and help keep track of their spending.

The Commonwealth Government has committed itself to reducing the harm and cost caused from problem gambling, including implementing a 'uniform' best practice pre-commitment scheme across all States and Territories by 2012/14.

State and Territory Governments (WA excepted) are heavily dependent on the revenue they receive from gambling and in particular from poker machines. The gambling industry, led by EGM service providers,

constantly seeks to maximise revenue and protests that the number of problem gamblers is vastly exaggerated and the industry provides substantial benefit to the community.

NSW Dept. of Health estimated in 2008 that there were some 400,000 Problem Gamblers and a further 800,000 at risk of problem gambling; these groups are the principal funders of both state governments and gambling industry as well there are on average seven (7) other people (partners, parents, husbands, wives, children and others) who are adversely affected by every Problem Gambler**.**

An assessment of many of the 260 submissions to the PC Inquiry indicates that public and political laissez-faire attitudes to the serious consequences of problem gambling are changing. State and Territory Governments who could be described as having a 'measured reaction' policy for the past ten years, now appear to be more serious in finally tackling the issue. The current problem is that the potential loss of revenue coincides with the adverse budgetary position and outlook for most States and Territories.

*1.*NSW Dept. of Health 2008*

The convergence of electronic gambling technology via internet, pay-tv and mobile phones is growing rapidly and is poorly documented in terms of losses incurred and the overall impact on Australia and its economy. With hindsight the Interactive Gambling Act 2001 was a real bonus from Australia to the offshore gambling industry.

The Productivity Commission in making its recommendations has addressed the real core of problem gambling which is the poker machine. The Joint Select Committee on Gambling Reform also has a once in ten year opportunity to address the technology convergence issue which clearly has the potential to increase problem gambling progressively particularly among the technologically adept under age groups.

We believe there are three policy options for the Federal Government:

1. Continue to let the States and Territories evolve and implement their own harm minimisation strategies, which many might represent as 'the do nothing to affect our revenue strategy' or 'hasten slowly' based on their past record.

2. Implement light but uniform national regulations

3. Implement effective harm minimisation regulations nationally as other developed countries have done, usually countries with less severe problem gambling outcomes compared to Australia. A number of possible solutions have been canvassed in submissions by various governments, community groups and the gambling industry, which we would like to elaborate on further in this submission.

Regis Controls submission will also describe our patented Smartcard based national pre-commitment solution for the protection of problem gamblers (Responsible Gaming Card) which also addresses criminal activity and money laundering in Australia; this solution covers EGM gambling and the rapidly expanding newer technologies which facilitate gambling including internet, pay TV, mobile phones and other emerging channels. Regis Controls Pty Ltd is ready to licence patents granted in Australia, NZ and Great Britain in order to reduce problem gambling.

This submission also reviews some of the developments in the Australian and overseas gaming industries that have incorporated Smartcard usage.

*Some of the Productivity Commission's final report recommendations are as follows:-

- The system conform to the Privacy Act
- It must be simple for gamblers to understand and use
- Also presents few obstacles to future innovation in the presentation and design of the system

Regis Controls has patented applications for both adoption of PIN and Biometric including fingerprint recognition technology (further explained in this submission). However, after taking into account the Productivity Commission recommendations above and costs associated with a national fingerprint pre-commitment system we believe biometrics will prove *not* to be the best solution at this time.

If the Committee does recommend that biometrics be incorporated in the final proposed national system the Regis Controls Smartcard model will provide a much more secure, practical, and cost effective user friendly method compared to all others on offer.

The Regis model conforms to the PC recommendations in relation to the Privacy Act, AUSTRAC, Australian banking laws, it is simple for the public to understand, use and allows for future innovation in the presentation and design of the system.

Regis Controls suggests that special consideration be given to ensure that players of all genders, adult ages, occupations and disabilities are able to easily cope with the technology deployed in accessing EGMs and enables future innovations and delivery channels**.**

Unlike other national pre-commitment systems proposed, Regis Controls Pty Ltd is not proposing a monopoly nor are we partnered with, funded or affiliated in any way with any organisations or individuals involved in the gaming industry which cannot be said for most other proposed solutions.

We wish to thank the Committee in advance for the invitation and opportunity to provide this submission. Should the Committee have any queries or request further information we would be pleased to respond**.**

Yours sincerely

Elik Szewach - CEO Regis Controls Pty Ltd

2. What is a Smartcard and its Features

A Smartcard is generally the size of a credit card with embedded integrated circuits. A SIM card in a mobile phone is also a Smartcard and 3 billion are in use today.
By programming the integrated microprocessor (chip) a reader can recognise and authenticate the authorised owner of the Smartcard using a PIN, fingerprint or other biometric means; the identity information is securely stored in the chip. Smartcards are universally used in government, defence and corporate systems where secure identification, physical access, secure data access and valuable information need to be protected.

*****The proposed Regis Controls Smartcard Pre-commitment technological solution security features are such that should the card be reported lost or stolen, the lost card can be barred and re-issued with the correct value retained.

Every Smartcard has its own unique serial number
The chip is tamper-resistant
Unlike Magnetic Stripe Cards and other devices the information and applications on a Smartcard can be updated without having to issue a new card or device (time & cost effective)
Smartcards have the ability to process information, not just store information
Capable of providing a wide range of encryption standards (upto US Homeland Security standards)
Can be operated with a PIN or any form of biometrics which is stored securely in the chip

Smartcards are portable and easy to use and the public are familiar with using them every day for banking, work and mobile phones

Smartcards can either be operated with electronic cash incorporated or can be cashless

Smartcards can store thousands of times more data than a conventional magnetic stripe card and have the processing power equivalent of the original *IBM-XT* computer

Smartcards can have up to eight times more memory compared to the original Apple IIe:

*Smartcards can store considerable data, including biometric data and several years' worth of gambling records and have more than sufficient capacity to administer a national pre-commitment system.

3. Where Smartcards are used and why they are accepted

Around the world, Visa, MasterCard, Discover and American Express are phasing out magnetic stripe cards and are replacing with hundreds of millions of Smartcards under the EMV **(**Euro pay, MasterCard, VISA**)** standard. Australian banks expect to replace mag stripe cards by 2013 and the process in Europe is almost complete. Over 150 million health cards which are Smartcards are now in regular use around the world.

Every major retailer such as Coles, Woolworths and the majority of small business throughout Australia accepts Smartcards daily as do motor registration authorities, Australian Post and communication companies.

Pubs, hotels, clubs, major leagues clubs and casinos, including ALH 286 licensed venues and 450 liquor outlets across Australia and five (5) hotels in Tasmania have facilities on their premises that accept Smartcards.

Smartcard ticketing systems are successfully used in some 200 cities including:-

Los Angeles, Atlanta, Miami-Dade, San Francisco

Brisbane & Perth

SMRT in Singapore

Oyster in UK

Octopus Card in Hong Kong

Beijing, Moscow, Paris, Frankfurt, Oslo, Stockholm and Toronto.

Queensland driving licences are now Smartcards

Smart Cards are used with Personal Computers and many other applications such as pay TV, electronic purse, airline ticketing, telephone cards, ID cards and loyalty systems.

*The proposed Regis Responsible Gaming card (Smartcard) would be encrypted to RSA/3DES or higher standard which is a similar level to bank issued smartcards to protect the player's identity, secure data access and valuable information from fraud, hacking, and identity theft and protect the players and gaming providers monies.

4. Countries using Smartcards for Gaming and Harm Minimisation Applications

There are an increasing number of countries which have or are planning to adopt harm minimisation measures using smartcard technology for poker machines, also called VLTs in US and Canada and slot machines and EGMs elsewhere; and more recently for internet gambling.

US

Beginning in 1988 the US Government and various States negotiated with the Indian tribes to allow casinos with poker machines into Indian reservations. The agreement ensured that no cash can be inserted into poker machines. There are 367 casinos with annual revenue of AUD$ 25 billion currently covered by the Indian Gaming Regulatory Act. A Smartcard is used in all these establishments.

The Act also has a series of harm minimisation measures (time limits, minimum percentage payout, maximum wager per spin and so on) various surveys and tests conducted in the US during the last 5 years indicate that using a Smartcard rather than cash does not increase the average spend per session or the frequency of gambling.

South Africa

Smartcards are used for gambling on poker machines in all casinos in South Africa e.g. Sun City and are the only means used. Independent surveys across South Africa indicate that there is 96% acceptance of Smartcards by patrons. There are no ATMs allowed in any gambling venue under South African law.

Austria

In Austria poker machines are only permitted in casinos by government legislation. All casinos in Austria use Smartcard operated poker machines and there are a series of harm minimisation measures including player tracking.

Norway

The Norwegian government owns the major operator of poker machines (some describe it as a monopoly) which were re-introduced a few years ago, having been banned. Smartcards are used exclusively for the national lottery, for gambling venues and for Internet gambling via the government owned site Norsk Tipping. Players

are issued with a Smartcard and a reader, which plugs into any computer and can only use the Smartcard at gambling venues.

There are a series harm minimisation measures built into the system e.g. $180 maximum bet per 24 hours on the Norsk Tipping internet site. The Norwegian government became so concerned at the amount of money that Norwegians were spending on overseas internet gambling sites that it introduced and now runs its own internet gambling.

The Norwegian Government issued 1.75 million smartcards in less than 2 years. The total population of Norway is 4.6 million so more than 50% of the adult population now has a Smartcard and a reader for gambling. The Government run gambling web site attracts 16-24 year olds who have double the rate of problem gambling compared with older groups. Many local authorities in Norway are so concerned about gambling venues (controlled by the central government) and the effects of problem gambling that they have threatening liquor licensing bans.

Denmark

The Danish government is the major provider of gambling services through Danske Spil which issues Smartcards to customers. Denmark may well have the most comprehensive harm minimisation measures including:

• Restrictions on the type of games (based on actual results red danger games can be banned i.e. those games most used by problem gamblers)
• Limit on units per day
• ALL gaming limits
• Players can set lower limits
• Self exclusion etc

Netherlands

The Dutch government requires all Dutch customers of casinos (the only legal venue for poker machines) to use their national ID Smartcard to gain entry to a casino. All Dutch citizens are required to carry an ID card under separate legislation. If a customer visits casinos more than 20 times a month they are automatically approached by trained casino staff and asked to sign a self-exclusion contract. The procedure is monitored by government inspectors to ensure that casinos are properly facilitating harm minimisation measures for problem gamblers

Canada

Saskatchewan Gaming Corporation has introduced a Player Club card (Smartcard) which is used to monitor at risk gambling behaviour during poker machine play and trained staff are required to intervene.

Other Canadian Provinces

A separate and much larger government owned organisation Atlantic Lottery operates series of gambling products and is owned by four provincial governments New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland/Labrador. It announced recently that it was considering issuing responsible player cards for all VLT (poker machine) users. The card would be a Smartcard and "can be programmed by the player to limit how much they're spending and how long they are playing"…. "They can even cut themselves off and keep a record of VLT use"

Sweden

The largest gaming company in Sweden, Svenska Spel, is owned by the Swedish government and has an annual turnover of AUD$ 3.7 billion (comparable to Tabcorp). The population of Sweden is only 9 million or 43% of the population of Australia. Svenska Spel issues a Smartcard to customers and over one million use one each week.

The card provides a series of harm minimisation measures for both poker machines and internet including limits per session, per day, per week or month and maximum play time per day/week/month and self-exclusion. Svenska Spel launched internet poker in 2006 and achieved 100,000 registered players in the first 4 weeks, which '*exceeded all expectations*'.

The Swedish government '*wanted to transfer existing internet gamblers from the unregulated market to the regulated market*'. Players can also use mobile phones to gamble on the internet with Svenska Spel and it is not clear how minors are excluded.

** Our research suggests USB fingerprint KEY products are not used in any of the above systems or indeed anywhere else for harm minimisation.

Many major gambling venues with EGMs e.g. Las Vegas, Atlanta, Asia, Africa have chosen to use Smartcard only systems (no government involvement) because it provides cheaper operating costs than coins (reduced coin jams, shrinkage, cash handling and security costs). The business case for the technology clearly applies in Australia but the industry here only stresses the additional cost in relation to problem gambling.

Australia

Well over **50% of EGMs** in Australia are **currently Smartcard enabled** and this proportion is increasing. The main reason is to prevent the widespread fraud by machine service operators who set very high payout levels on specific machines and notify their associates to play these particular machines and both share the proceeds. Smartcard access enables venues to track rogue service operators. One reader could easily be fitted for this application and for harm minimisation at no additional cost.

Over **50% of EGMs** in Australia have mag stripe readers fitted for loyalty systems. The cost of fitting a mag stripe reader is comparable to fitting a Smartcard reader and is nothing approaching the $3000 suggested by the industry. Loyalty systems are and can easily be adapted to Smartcard technology thereby actually saving the industry the cost of an additional reader.

Many larger venues, particularly clubs operate a membership card system for access (usually mag stripe). Gradually these cards are migrating to Smartcard technology (because they enable venues to use far more sophisticated marketing techniques) so there is a further opportunity for venues to reduce operating costs and to prevent access by minors and excluded patrons by combining access to venues and EGMs.

As many gambling operators around the world have adopted Smartcard based operations for commercial reasons and over 50% of EGMs in Australia are already Smartcard or mag stripe enabled perhaps the industry dire predictions about costs might be considered somewhat exaggerated.

5. Three Options

1. Continue to let the States and Territories evolve and implement their own harm minimisation strategies.

Government submissions to the PC indicate a range of proposed solutions and timescales for addressing problem gambling which when combined with the current and projected budgetary positions of States and Territories does not provide much confidence in the achievement of any real reduction in problem gambling during the next ten years.

2. Implement light but uniform national regulations.

2a) A limit is placed on an individual's losses on a single poker machine and when the limit has been reached on that particular poker machine it closes down for that user**.**

Comment: Problem gamblers chase their losses. Therefore after reaching the limit on one machine the problem gambler will simply migrate to other machines in the hope of recouping their losses. An example of the harm this would cause is as follows:-

A limit of $500 applied on a single machine in a venue of 50 machines, the problem gambler is effectively being allocated a '*collective limit* in the *one* venue of $25,000 or hundreds of thousands across multiple venues'.

* It *is* also unlikely to conform to the AMF/CTF Act 2006 requiring gaming venue operators to report suspicious transactions to the Australian Transaction and Reports Analysis Centre (AUSTRAC) if they provide '*designated services'*.

The AML/CTF Act imposes a number of other obligations on gaming venue operators including:-
*Designated services include allowing a person to play a game on a gaming machine located at the venue and paying out winnings or awarding prizes where the game is played on a gaming machine.

- Positive customer identification
- Record keeping
- Establishing and maintaining an Anti –Money Laundering and Counter Terrorism Program and ongoing customer due diligence where a player must be "positively identified"
- Reporting of any suspicious transactions not only $10,000" in a 24 hour period

*It is illegal to receive $10,000 or more in cash in a single transaction or two or more cash amounts totalling $10,000 or more within 24 hours without reporting the transactions.

2b) *Limits- Loyalty card/tag and USB KEY*

We believe the limit is the core issue in the protection of current and future problem gamblers. There are two clear choices in how the limit is to be applied; whether it is done on a venue by venue limit basis or a ONE linked limit across all venues and machines.

Mandating voluntary loyalty cards as the vehicle for accessing the proposed national pre-commitment scheme that will allow problem gamblers to continually exceed the limit by :

- Registering for a *venue* specific loyalty card that gives loyalty reward points and allows for a voluntary limit to be applied. Once the voluntary limit is exceeded no further loyalty points are rewarded but the problem gamblers can continue to chase their losses.
- The Problem Gambler can choose not to become a member or not use the loyalty card at all and play with cash instead.
- Joining other venue loyalty cards schemes

In the above instances this allows the problem gambler to chase their losses, not unlike the regulation strategy we have seen in practice over the last 10 years and today and is also unlikely to conform to the AMF/CTF Act 2006 as shown below.

Other examples- a player can obtain numerous limits:-

- Cards with $100 limits can be obtained at one or multiple venues on the sole basis of a signature which is open to abuse by problem gamblers.
- Accounts of $1000 can also be opened under this scheme where a 100 point ID validation check is not required; once again multiple accounts can be opened at one or more venues.
- The scheme also allows players to open a $10,000 account after a 100 ID point check; however, as mentioned the scheme is venue specific; multiple cards issued in multiple venues equates to potentially tens of thousands of dollars in limits which does not help those with a gambling addiction as well as those at risk.

*2 *https://qld.maxgaming.com.au/simplay/accounttypes/tabid/274/Def ault.aspx*

TAGS

TAGs (RFID) technology are used for loyalty points based reward schemes and is usually venue specific. Limits can be continually exceeded. Touch or wave the device in front (RFID) of the machine and the venue knows your average bet, how much you spent gambling and when you spent it; it knows how many slot machines you used, how often you visited them and what is the most popular machine played.

A PIN is not normally required therefore does not recognise an individual or enforce any form of limit. It also is unlikely to conform to the AMF/CTF Act 2006

Comment - The endorsement of a "loyalty card/tag" to be used as the vehicle in order for a problem gambler to access a voluntary pre -commitment programme, where any limit can be continuously exceeded or circumvented by using cash, without the card/tag being applied is a paradox in itself and encourages a gambler to chase losses.

USB devices

A USB KEY fingerprint device is issued to a player after the details of the players' identity and personal particulars as well as fingerprints or iris data are collected. This information is then stored on the device or on the back end or both. Once the player wishes to gamble personal information pertaining to that player, including the limit and financials is then made accessible to EGMs in gambling establishments.

*3. *Refer Productivity Commission report - http://www.pc.gov.au/__data/assets/pdf_file/0008/93626/20091214-brisbane.pdf - 14/12/09 Gambling page 583 P. RYAN*

If the registered players own pre-determined limit is exceeded or they exceed a public recognised limit this will eventually result in being automatically contacted by a problem gambling counsellor whereupon their personal details and history will be given to the counsellor who will then decide if they are a problem gambler.

If the counsellor decides the person is a problem gambler, the person then must attend counselling until the counsellor decides they no longer have a problem and allows the individual to access the poker machines once again.

*4. *Refer - http://pericles.ipaustralia.gov.au/aub/pdf/nps/2010/0211/2009101222A4/2009101222.pdf \ Pages 5&6*

Comments – This opens up to many privacy issues. *Please refer to Privacy Act section in this submission page 26.*
Allowing a problem gambler to exceed their own pre-determined limit, will not help the problem gambler; if a player, especially a problem gambler, sets a limit it should close down immediately it is reached and not allow continuous play. Also it is not quantified in this scheme how many times the limits (self or public) can be exceeded, by how much and who is monitoring/reporting the limit if it is exceeded, the casino or some central authority?

The whole concept of responsible gambling is for the individual to realise that they themselves have a problem and to make that first step. Problem gamblers often have serious personal problems and the stigma of feelings of humiliation or of being considered irresponsible by a third party is likely to add to feelings of inadequacy.

Also the notion of the USB scheme would involve counselling of hundreds of thousands of problem gamblers and those at risk as well as recreational gamblers.

*(NSW Dept. of Health estimated in 2008 that there were some 400,000 Problem Gamblers and a further 800,000 at risk of problem gambling)

Anonymous Cards

Firstly the individual registers for the card supplying name, address and other details which are then scrambled and the individual becomes completely anonymous. However the player is given a unique ID to be recognised at the EGM for purposes of tracking play. The system allows a player to set *multiple self-imposed limits* and can be voluntary or mandatory.

This system is a tool that purports to promote responsible gambling but does not administer it, it tracks the anonymous players gambling behaviour which in turn can be handed over to the gambling establishment (retailers sites) to provide an insight as to average bet, how much time/money is spent gambling and when it was spent; it knows how many slot machines have been used, how often they were visited and what is the most popular machine played in the venue; this is valuable information as stated below.

5. http://www.pc.gov.au/__data/assets/pdf_file/0008/93653/subdr329.pdf - page 10*

Extract – While none of the cards will identify the players, Techlink, a Canadian gambling service provider, can track which types of games people like to play and how they choose to spend their money. "That's extremely valuable information for game creators", Mr Xidos the CEO said. "Techlink might sell that information or use it for its own software"**. "**The Nova Scotia Gaming Corp. would also consider using that information to make future business decisions", a spokeswoman said. – *End*

*6. *(lfraser@herald.ca)© 2008 The Halifax Herald Limited Cape Breton company hits jackpot - Firm to install responsible gaming system in VLTs across Nova Scotia By LAURA FRASER Cape Breton Bureau Tue. May 13 - 5:53 AM.*

Comment : Reference to destroying all information that might be able to be used to identify the player (name, address etc.) even to the point of changing the biometric information stored in the central administration system could negate the premise of complying to various Australian jurisdictional laws and casino regulations. The statement that the identity of the user can never be found, is flawed as banks will not transfer monies into an anonymous account and therefore the feature does not conform to various Australian laws e.g. money laundering laws, banking laws and regulations. Destroying biometric and registration data following registration and then relying on a PIN identifier cannot later distinguish whether the player is the same person beyond doubt.

*The Regis Controls Responsible Player Card addresses these concerns by respecting the decision made by the individual and **not** allowing the player to exceed their limit in the first instance. Importantly the Regis Controls Responsible Player Card is designed to conform to the Privacy Act and all other Australian laws, regulations and rules.

3.1 Implementing actual harm minimisation regulations nationally

*Regis Controls Smartcard pre- commitment technology overview

Regis Controls Smartcard system (Responsible Player Card) covers usage for EGM, poker machines, mobile phones, broadband, horseracing, table games and internet in fact any regulated gambling medium.

The Smartcard also has the facility to operate a clock or a clock reader, which can facilitate harm minimisation messages in addition to limiting the amount a gambler, spends in a predetermined period as well as barring underage gambling.

Other features of the patented technology are as follows:

1. identifies and authenticates the player as well as the venue provider.

2. operates for EGMs (poker machines), casinos (table games), wagering and other forms of electronic gaming such as via internet.

3. provides for pre-commitment by individuals within the overall harm minimisation measures.

4. limits the total amount gambled in a prescribed period through all prescribed forms of gambling.

5. records financial transactions and provides a secure financial audit trail.

6. bars minors and bars individuals based on legal conditions and voluntary self-exclusion.

7. prevents credit card betting.

8. provides secure transactions.

9. ensures players privacy.

10. monitors compliance with Government legislation on transaction reporting (Austrac) and conforms to the Privacy Act and amendments.

11. facilitates venue or gambling service provider loyalty schemes (if so authorised).

12. operates using physical and/or electronic cash.

13. potentially limits large payout amounts by postdating balances above the limit.

14. provides the framework for a *national* harm minimisation system.

15. The card has one maximum limit for the specified period (day, week, fortnight, month or year or a combination of all of these).

16. The maximum limit cannot be changed until the end of the period specified in the legislation.

17. Card holders can set their own lower limit for the specified period.

18. The one limit applies in all States and Territories and in all venues.

19. The one limit can be extended to internet gambling subsequently, if required.

20. The one limit can be extended to other forms of gambling if this is causing more problem gambling e.g. casino games such as roulette and table card games.

21. Amounts below the limit not spent in the period can be carried forward to the next period or preferably not carried forward.

22. The Smartcard can have electronic value added by a Smart Cashier machine in a gambling venue. This machine will only accept notes **and** could accept bank and debit cards and not credit cards or line of credit accounts.

23. The Smartcard is programmed not to accept transfer beyond the limit specified (either the maximum or player specified lower limit).

24. The Smartcard can be either pin and/or biometrically operated. In the latter case the card can have an inbuilt thumbprint reader which compares the image with that stored in the chip when the card is inserted. The thumbprint is not held on the national data base.

25. The Smartcard can be programmed to defer or hold large winnings.

26. The card can be programmed to give advisory or warning messages e.g. you have now been playing for 3 hours.

27. The card can be programmed to ensure automatic intervention by trained venue staff requesting the card holder to sign an exclusion order. The card is closed down for all machines until the staff member has actually intervened and this is recorded and would be available for inspection by a government appointed inspector should the need arise.

28. It is proposed that the card is issued on a 100 - 150 point check basis by an independent organisation and comparison of databases ensures that only one card is issued to an individual.

29. Cards reported lost, stolen or damaged are barred from use anywhere and any residual value and the limit are re-issued on a new card subject to positive proof of identity.

30. In the event real money is used the card is capable of tracking the amount of cash put into any machine whether notes or coin and one limit can be used for electronic or physical cash gambling.

31. It is suggested that overseas visitors can obtain a Smartcard with no limit for the period in Australia subject to passport verification and proof of overseas residence (up to 25% of Australians have or are entitled to a second passport). A refundable deposit might be appropriate.

32. The smartcard would be encrypted to 3DES or higher standard to prevent fraud and hacking, which is a similar level to bank issued smartcards.

33. The Smartcard system could be extended subsequently to track money laundering. The ACC estimates that $12 billion of drug money is recycled out of Australia per annum mainly through gambling.

34. The card would be used pseudonymously i.e. the card holder remains anonymous unless the card is reported lost or stolen or a warrant or court order is issued.

35. The card allows for self-exclusion or authorised third party exclusion e.g. court order.

36. The card cannot operate in any machine for the period of exclusion.

37. The card excludes minors due to the 100 point check. The card could be used to track admittance to gambling venues (or the gaming room part) and some form of intervention could be adopted after a large number of visits.

38. It is suggested that a small balance reader (costing $5) is issued with the card so that the card holder can check the residual limit and read summary gambling results for a period.

39. It is proposed that there be several Smartcard issuers providing personalisation of cards and verifying 100 point checks. This could be provided on a State or Territory basis.

40. The card provides a more secure audit trail for tax collection reconciliation and ensures that far less physical cash is held on premises.

41. The Smartcard obviates the need for conventional ATMs in gambling venues.

42. The Smart Cashier machine and the card are programmed to comply with all the limits established in the bill and the capital cost and operational cost is far less than existing ATMs.

43. These machines could be operated by venues eliminating the need for expensive bank ATMs and would be subject to routine inspection and testing.

44. Any existing ATMs in casino style venues would not be able to load Smartcards with value or download value from player cards.

45. It is possible to use the Responsible Player card for a loyalty scheme for the venue. This eliminates the need to carry and insert two cards into each machine used but this is clearly a policy decision.

46. It is clear that a number of western governments have or will adopt Smartcards to protect their citizens from the risks of unregulated and insecure internet gambling sites and to protect the balance of payments. Australia would be well positioned to extend the proposed smartcard system to internet gambling in common with many western countries.

47. It is possible to have two or more purses (and a loyalty application) held on the Smartcard. One would be only used for poker machine gambling (cash/cashless) and potentially internet with all the provisions of the bill incorporated limits, no credit account usage. The other one could be used for venue purchases e.g. meals, beverages etc. and a loyalty application covering one or both purses is possible.

48. It is proposed that the purse is compatible with the standard adopted by banks worldwide, Visa and MasterCard etc which is EMV which minimises interoperability issues and potentially allows card holders to transfer winnings directly into a bank and/or personal gaming account.

49. It is possible to programme into the card compulsory breaks in play and potentially links to problem gambling support services.

50. It is also possible to include decision points into the Smartcard (*you have lost $500 in 2 hours are you sure you wish to continue*)

51. Both self and third party exclusion can be incorporated at the venue entrance or at each machine.

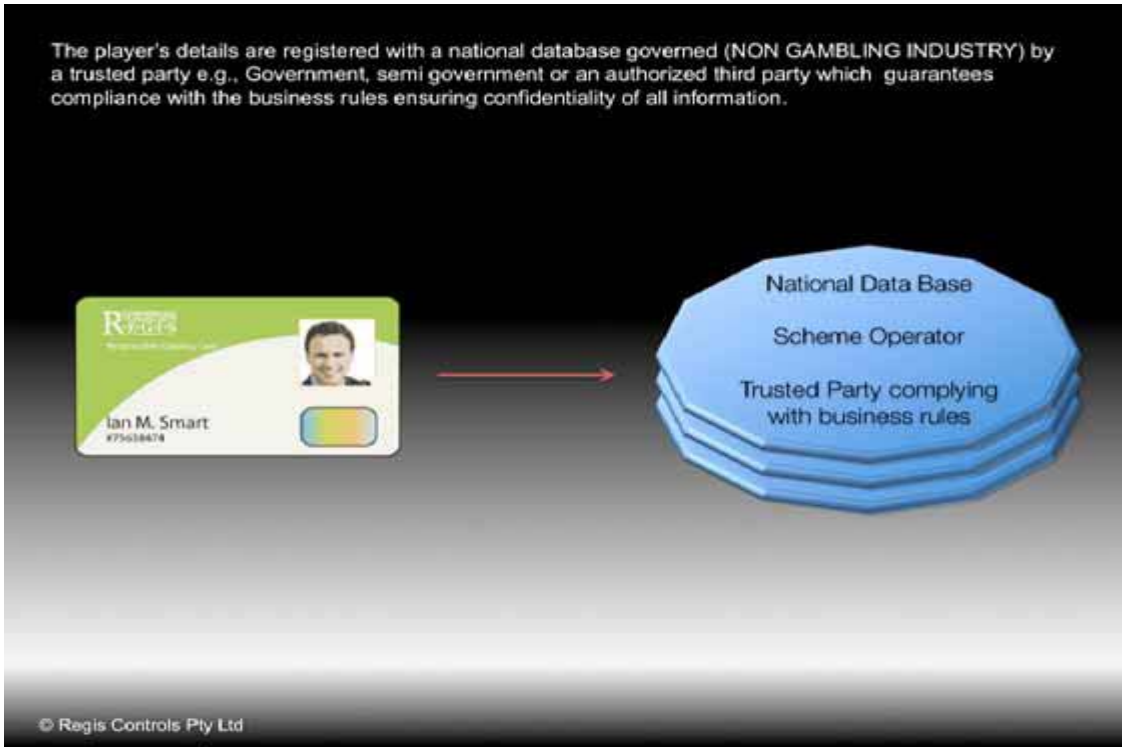
The above summary of Regis Controls patented features provides only a very general outline of the Regis Controls Patents and the flexibility to include a range of *national* harm minimisation measures which adhere to the Productivity Commission's recommendations. The system conforms to the Privacy Act, current government authorities' rules and guidelines. The system is simple for gamblers to understand, use and also presents few obstacles to future innovation in the presentation and design of the system.

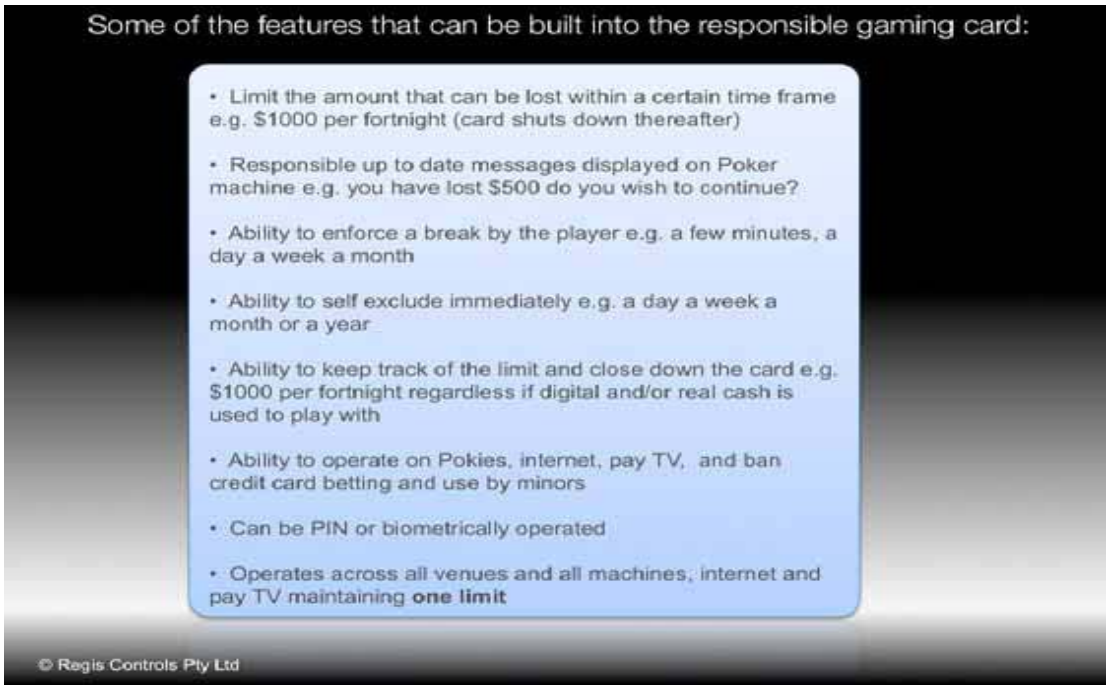
With the majority of the poker machines already Smartcard enabled it is cost effective and logical to utilise this existing, proven, uniform technology rather than necessitating any need for the costly adoption of products untested in a gaming environment.

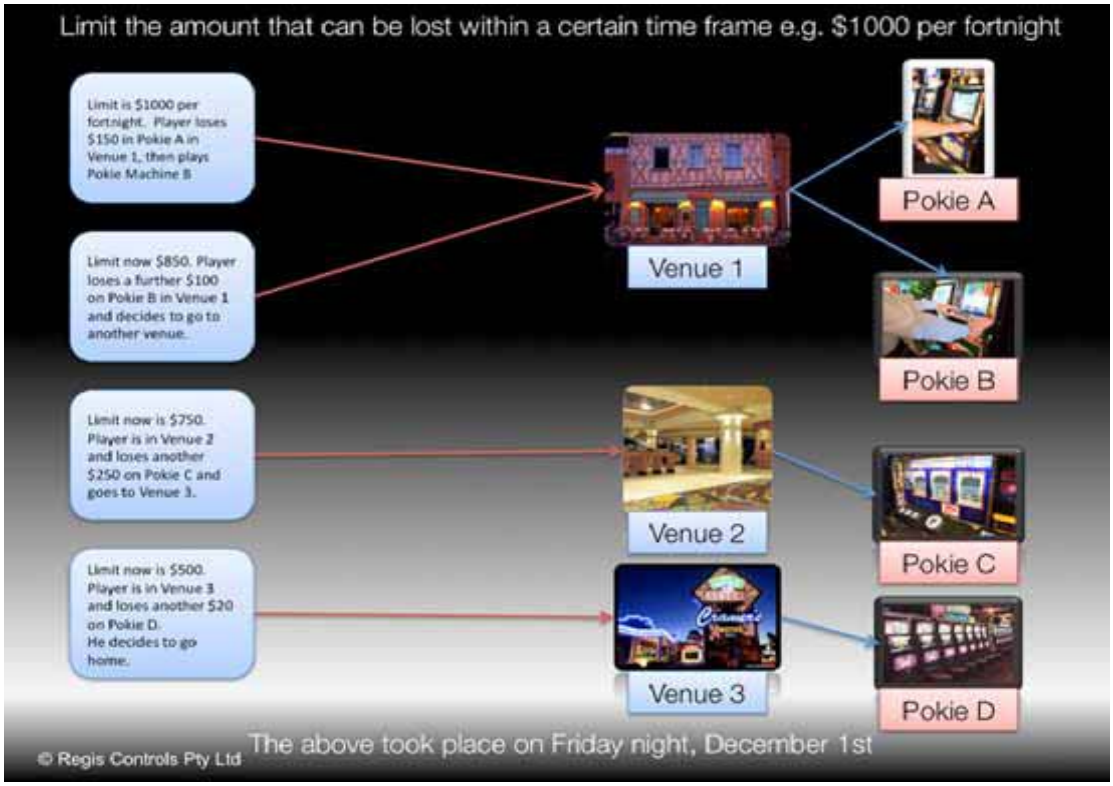
3.2 Proposed Smartcard Operation

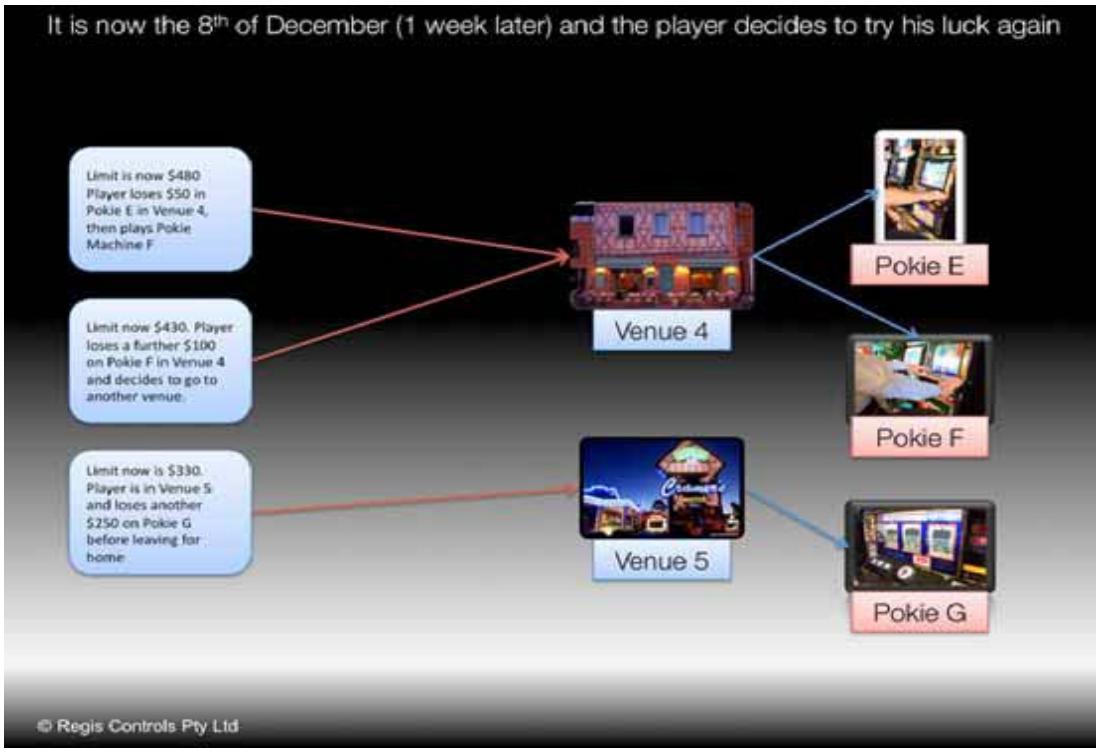
The proposed operation of the Regis Controls national Pre-commitment Smartcard harm minimisation system, or commonly known as "The Responsible Gaming Card" is outlined in a series of diagrams along with the harm minimisation tools which a smartcard system provides as summarised below:-

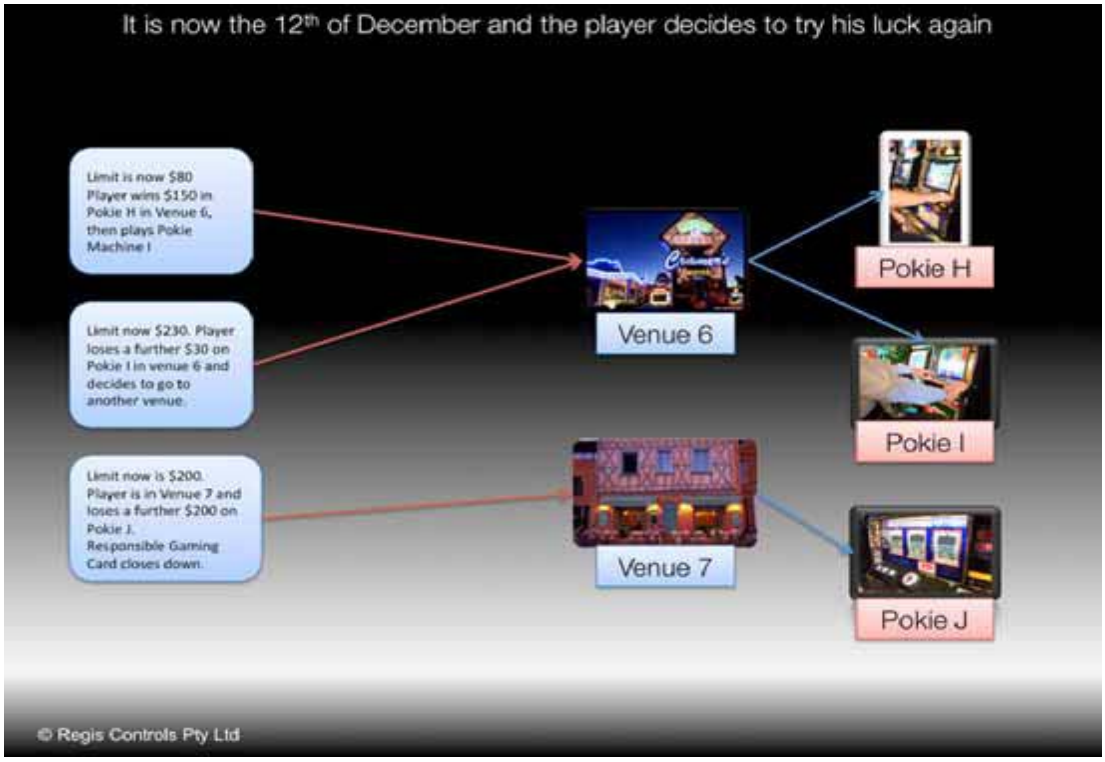

To register for a personalised responsible player card you need –
100 - 150 points ID check
- Photo ID – Drivers license/passport/birth certificate etc. - proof of age and person
- Bank statement or rates/telephone bill to confirm address
Ian M. Smart
© Regis Controls Pty Ltd


The player's details are registered with a national database governed (NON GAMBLING INDUSTRY) by a trusted party e.g., Government, semi government or an authorized third party which guarantees compliance with the business rules ensuring confidentiality of all information.
Ian M. Smart
National Data Base
Scheme Operator
Trusted Party complying with business rules
© Regis Controls Pty Ltd


Some of the features that can be built into the responsible gaming card:
• Limit the amount that can be lost within a certain time frame e.g. $1000 per fortnight (card shuts down thereafter)
• Responsible up to date messages displayed on Poker machine e.g. you have lost $500 do you wish to continue?
• Ability to enforce a break by the player e.g. a few minutes, a day a week a month
• Ability to self exclude immediately e.g. a day a week a month or a year
• Ability to keep track of the limit and close down the card e.g. $1000 per fortnight regardless if digital and/or real cash is used to play with
• Ability to operate on Pokies, internet, pay TV, and ban credit card betting and use by minors
• Can be PIN or biometrically operated
• Operates across all venues and all machines, internet and pay TV maintaining one limit
© Regis Controls Pty Ltd


Limit the amount that can be lost within a certain time frame e.g. $1000 per fortnight
Limit is $1000 per fortnight. Player loses $150 in Pokie A in Venue 1, then plays Pokie Machine B
Limit now $850. Player loses a further $100 on Pokie B in Venue 1 and decides to go to another venue.
Limit now is $750. Player is in Venue 2 and loses another $250 on Pokie C and goes to Venue 3.
Limit now is $500. Player is in Venue 3 and loses another $20 on Pokie D. He decides to go home.
Venue 1
Venue 2
Venue 3
Pokie A
Pokie B
Pokie C
Pokie D
The above took place on Friday night, December 1st
© Regis Controls Pty Ltd


It is now the 8th of December (1 week later) and the player decides to try his luck again
Limit is now $480 Player loses $50 in Pokie E in Venue 4, then plays Pokie Machine F
Limit now $430. Player loses a further $100 on Pokie F in Venue 4 and decides to go to another venue.
Limit now is $330. Player is in Venue 5 and loses another $250 on Pokie G before leaving for home
Venue 4
Venue 5
Pokie E
Pokie F
Pokie G
© Regis Controls Pty Ltd


It is now the 12th of December and the player decides to try his luck again
Limit is now $80 Player wins $150 in Pokie H in Venue 6, then plays Pokie Machine I
Limit now $230. Player loses a further $30 on Pokie I in venue 6 and decides to go to another venue.
Limit now is $200. Player is in Venue 7 and loses a further $200 on Pokie J. Responsible Gaming Card closes down.
Venue 6
Venue 7
Pokie H
Pokie I
Pokie J
© Regis Controls Pty Ltd

Self Exclusion (self imposed ban)

Call the National Call Centre number (24/7) 1300 smrt card (1300 7678 2273). The number is printed on the card. Call center then verifies the person as being the card holder and immediately puts a flag on the card for the period nominated.
There are other methods such as venue exclusion terminals, consoles that can be fitted to the poker machines, internet access etc.

Ian M. Smart

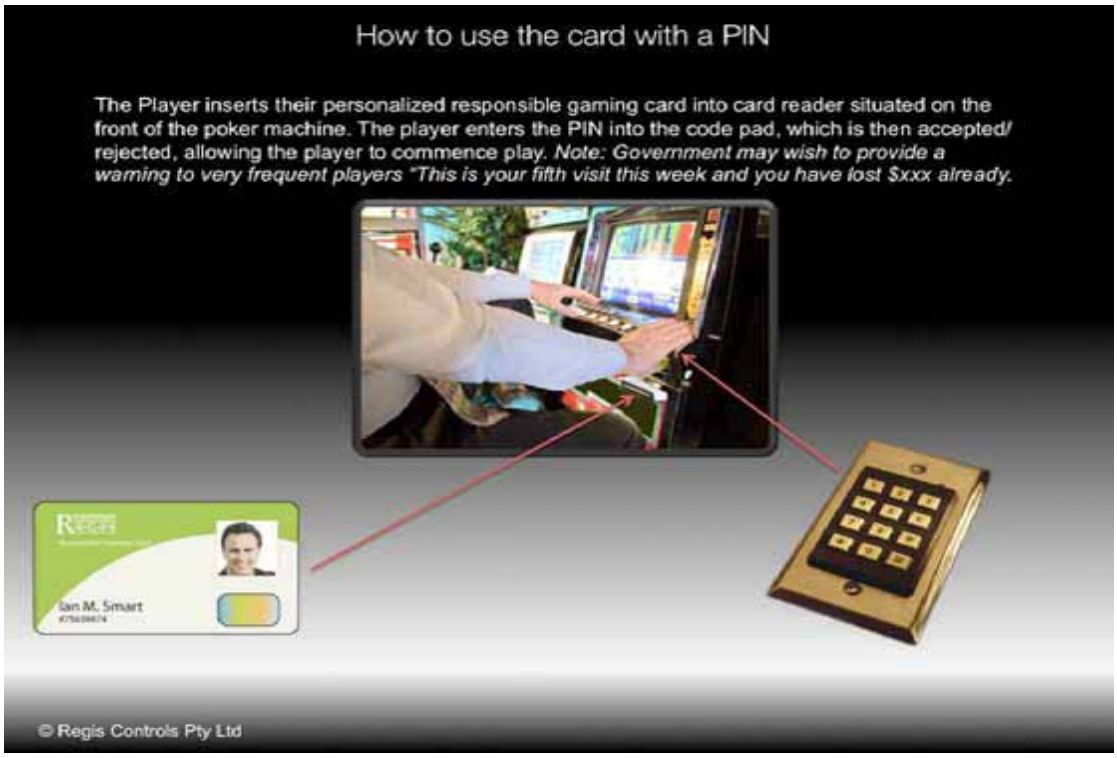
National Call Centre

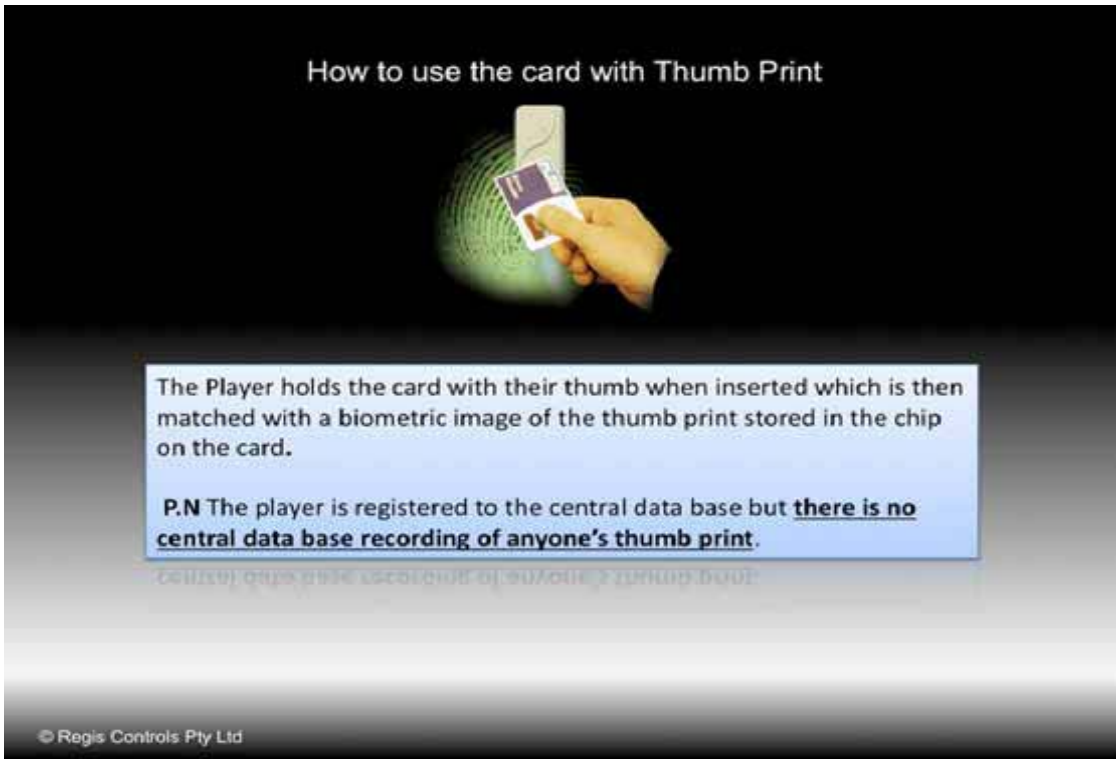
How to change the limit

Call the National Call Centre number that verifies the person as being the card holder, confirms the new lower limit and immediately updates the new lower limit, which is updated on the card when next inserted into a poker machine. To raise limit governing rules must apply example cooling of period, justification to increase limit etc.

Ian M. Smart

National Call Centre


How to use the card with a PIN
The Player inserts their personalized responsible gaming card into card reader situated on the front of the poker machine. The player enters the PIN into the code pad, which is then accepted/ rejected, allowing the player to commence play. Note: Government may wish to provide a warning to very frequent players "This is your fifth visit this week and you have lost $xxx already.
Ian M. Smart
© Regis Controls Pty Ltd


How to use the card with Thumb Print
The Player holds the card with their thumb when inserted which is then matched with a biometric image of the thumb print stored in the chip on the card.
P.N The player is registered to the central data base but there is no central data base recording of anyone's thumb print.
© Regis Controls Pty Ltd

6. Privacy Act

The proposed Regis Controls pre-commitment Smartcard system can be programmed to comply with all the requirements of the Privacy Act 1988 and the recent amendments.

With identity theft on the rise members of the public are very concerned about the safety of their personal and financial information.

The Regis patented system ensures that:

- Only the independent scheme operator maintains the database linking the smartcard number with the details of the cardholder. The gambling service provider cannot access the cardholder's details for marketing and loyalty purposes unless the cardholder specifically wishes to link the card with a venue loyalty application.

- If the cardholder specifically wishes to add one or more loyalty systems (venue specific) to the Responsible Gaming Card then each loyalty application can be added to the Regis Controls pre – commitment Smartcard at the venue.

- The cardholder has the option of just having the card number linked to each loyalty system without the venue/provider having access to personal details e.g. name and address or the cardholder can opt to provide the venue with name and address details so that newsletters, special offers etc. can be provided to the cardholder. Cardholders can add or remove personal details from a loyalty system at any future stage and the loyalty scheme operator is obliged to comply with both the legislation and the database provisions.

- Cardholders wishing to gamble anonymously at a venue with or without membership of a loyalty system can do so and all the venue can access is the results generated by card number x.

- If a card is reported lost, damaged or stolen the independent scheme operator is contacted by the cardholder and on positive proof of identity the existing card is barred i.e. it cannot be used by anyone and a replacement card issued on a secure basis.

- It is proposed that a minimum security level set by Visa/MasterCard of 3DES (or higher e.g. RSA) is adopted to prevent card skimming/cloning/hacking.

- All participants in the proposed regulatory system would be required to comply with mandatory privacy requirements which at a minimum would comply with all current privacy and security legislation, national privacy principles and data protection which would be subject to audit.

* *The Biometric USB Key fingerprint system as described to the Productivity Commission does not currently appear to conform to the Privacy Act.

7. Biometrics

There are significant challenges inherent in the use of current fingerprint technology.

With such a large diverse range of players in relation to ages, professions, disabilities and cultures that frequent EGM venues (bricks and mortar) and gamble on the internet, mobile phones and broadband we feel that biometric technology (fingerprint or iris) at this stage will be problematic to both users and to the reliability of operations.

Age, injury, illness, medication, occupations, medical treatments and chemical exposure causes alterations to "fingerprints," people such as bricklayers, concreters, labourers and other occupations have poor ridge or whorl structure because the ridges are being sanded smooth every day; the biometric pattern of their fingerprints are often unreadable.

Biometric usage at this juncture may well be discriminatory, challenging and potentially unworkable for many segments/members of the gaming public; accordingly multiple back-up systems would need to be implemented adding to cost and making the system complicated and ultimately impracticable.

Senior citizens

Many older people (over 75) will have problems providing machine recognisable fingerprints. International experience and specific German research indicate that considerably more than 10% of all senior citizens have no recordable or identifiable fingerprints. This will inevitably lead to discrimination through inspections by third parties and longer delays**.** People working essentially manually will face the same disadvantages**.**
Also, the elasticity of skin decreases with age many senior citizens have prints that are difficult to actually capture. The ridges get thicker; the height between the top of the ridge and the bottom of the furrow get narrower, so if there's any pressure at all (on the scanner), the print just tends to smear or blur**.**

*7. *http://www.edri.org/edrigram/number5.20/german-passports-rfid*

Extract –'Fingerprints are one of the best ways we have of identifying an individual at the moment," said Professor Nixon. "But on some people, even they are not so effective. Bakers and bricklayers tend not to have obvious fingerprints as the distinctive whorls rub off**.'**

8. http://www.telegraph.co.uk/science/science-news/8052887/Ears-provide-new-way-of-identifying-people-in-airports.html*

Extract - the success of biometric technology in controlled laboratory environments, there are still a few concerns and challenges when collecting and using such information in actual environments and when trying to establish an identification system at a national level.

The accuracy of biometric technology remains to a large extent untested in a single system without backup systems. Biometric companies report very high accuracy rates from highly controlled trials which typically use artificially generated data. However, because the performance of a technology depends greatly on the context, trials using real life data are far less impressive. For example, a UK Passport Service Trial reports that only 80 per cent of the cases could be correctly verified, being more successful for younger individuals than older.

Individuals may have a negative attitude towards providing their biometrics. People may be reluctant to place their fingers on the scanners due to hygiene concerns. More importantly, there is the widespread public perception that fingerprinting is linked to the criminal justice system. Refugees from conflict affected countries including ethnic warfare may refuse to provide biometrics for fear of possible implications. Could a warrant be used by police to access information in relation to a criminal matter? Finally, during the Parliamentary debates concerning the ID Cards Bill in the UK, 55 per cent of respondents of a poll thought that the collection of biometric information was an infringement of civil liberties.

The cost of collecting biometrics can be high. The estimates are sparse and detailed cost-benefits analyses have not been systematically conducted. However, the costs of using different types of biometric technology starting from basic fingerprinting techniques to voice and iris recognition software can be prohibitively expensive.

Comment: A biometric Australian passport currently costs $226.

Biometric technology is not infallible. While biometric technology can be big step forward to combating issues of identity theft, fraud, and money-laundering efforts, it is essentially a technological application. As is the case with any other technology, it can be hacked, infiltrated, or runs the risk of having data fall into the wrong hands. Since biometric technology is only at present being piloted on a large scale in some parts of the world, legitimate concerns on privacy do arise. For example, it is possible to envisage that one or more workers with access to an ID database will be malfeasant, corrupted, threatened or blackmailed (e.g. recent Wikileaks experience). The perpetrators of 80 per cent of all computer security lapses are not hackers, but employees.

Despite these concerns, biometric technology presents an exciting and innovative opportunity for increased access to financial markets and better public service delivery.

Comment: Whether it can be scaled up effectively and be used to resolving identification and authentication in thousands of gambling venues remains to be seen.

9. http://siteresources.worldbank.org/DEC/Resources/Use_of_biometric_technology_in_Rural_Credit_Markets.pdf*

Arthritis

Extract -Access Economics estimates that there are 3.85 million Australians with arthritis (nearly 1 in 5 Australians), including 1.62 million with osteoarthritis (OA) and 0.51 million with rheumatoid arthritis (RA). Overall, arthritis was more prevalent among women, with 19.9% of women estimated to have some form of arthritis in 2007 compared to 17.1% of men.

*Arthritis is non-selective of age and may affect children, teenagers, young adults, middle aged and elderly alike

People with hand arthritis and tremor symptoms often find their grip weakens and it becomes harder to do fine movements, such as turning a KEY or tying shoelaces**.**

10. http://www.arthritis.org.au/page/Arthritis*

11. http://www.arthritisaustralia.com.au/images/stories/documents/info_sheets/english/colour/template_HandsArthritis.pdf*

It would be problematic for a percentage of players, who have arthritis in their hands, to grip, hold, insert and remove a USB Key from the EGM; as well to ensure correct alignment of their finger on the device in order to get a positive reading would also be challenging and would inevitably produce unusable results preventing individuals from gambling. Intervention by staff in this situation is more likely to produce a very cursory check.

The first imperative stage for fingerprint authentication is supplying a clean print when enrolling for the device. The registration process provides an original print that will be used for all subsequent matching when the device is being used. The problems identified in many international studies indicate a high read failure rate in situations such as applied to 205,000 readers in EGMs.
This scenario would result in False Match Rate (FMR) and False Reject Rate (FRR), denying access or imposing lockouts and alarms, not to mention the embarrassment and frustration caused to the sufferer and the cost to the venue provider. Outcomes such as too much pressure or wrong alignment on the reader device will just tend to reject the player.

The option of backup systems being installed alongside a biometric USB Key system for frequent events of multiple, intermittent and ongoing system access failures (as the current passport system has) would add significantly to the overall scheme cost and venue operators would have very legitimate grounds for concern.

These biometric problems described above would not affect the use of the Regis Controls proposed system if the PIN only recognition system is used. However, if biometrics are to be proposed the Smartcard which reads directly from the thumb while holding the card when inserted into the EGM would provide the most reliable biometric solution compared with inserting a USB flash drive.

Fingerprints

Extract – 'The majority of participants in all sample groups successfully *enrolled* their fingerprint biometric, with success rates of nearly 100 per cent and 96 per cent for disabled participants. However, participants *achieved* successful verification on just 81 per cent of occasions and 80 per cent for disabled participants. One of the factors influencing failure was said by the experts to be that the single fingerprint device used for verification occasionally did not record sufficient detail from the fingers'.

12. http://www.skepticexchange.org/questions/749/are-fingerprints-truly-unique*

We understand the interest of some Committee members in biometrics at this stage, as these potential methods of identification provide more reliable methods of harm minimisation, however, our research suggests that State and Territory Governments, the public and gambling industry have a very strong case for rejecting biometric solutions on the grounds of cost, technical feasibility, player acceptance, privacy implications and regulatory issues and adopting a solution which has a very high risk of failure.

Our considered opinion is that the Productivity Commission recommendation that a Smartcard operated via a PIN and linked back to the players gaming account be adopted to minimize card sharing and that this method be endorsed as the preferred method until biometrics are further developed and costs and other issues are addressed.

Having identified some of the problems and if the Committee still recommends that biometrics be adopted in a national system we consider that the Regis Controls Smartcard model will provide a much more secure, practical, and cost effective and user friendly method directly compared to all others currently on offer.

a) using the card to read the thumbprint
b) requiring the EGM to only verify that the thumbprint stored on the card matches that of the cardholder i.e. the EGM is **not** required to read the thumbprint **in addition** to the card.

Nova Scotia Player Card Research Project

The recent Nova Scotia trial was based on a magnetic stripe card, **not a Smartcard** as has been reported .

13. http://www.abc.net.au/7.30/content/2010/s3004322.htm*

Extract – "Issues with the card reader not reading the card on the first insertion continued to be prominent with players. Many participants suggesting that they had to insert their card several times before it would be accepted, and indicated that this is more of an annoyance." *End Extract*

14. http://www.nsgc.ca/pdf/Omnifacts%20Bristol%20Research%20Report.pdf*

Comment: Unlike Smartcards magnetic stripe card is vulnerable to misreads; the technology for reading and encoding data on a magnetic stripe card is cheap and easily obtained thus allowing for data to be easily copied and scanned for information allowing for fraud and ID theft. Also magnetic stripe cards are prone to wear and data corruption.

Sharing of cards

There is a problem of problem gamblers sharing cards even with secure non-biometric ID cards. Even biometrics are far from the complete and very expensive answer, particularly when 20-30% of biometric cards are likely to fail at an individual EGM. There are many instances of biometric cards being deliberately damaged by problem gamblers. Using the player Smartcard as the means of venue entry will assist in reducing card sharing as will any loyalty application permitted on the same card. Enabling play using electronic cash on the Smartcard further reduces the incidence of card sharing (*to whom does the initial and residual cash belong , etc?)* The Norwegian system described subsequently offers the most effective method of minimising card sharing.

Participants' comments on the Nova Scotia Trial

Extract : Bars have cards that they give out – seeing lots of it, Lots of people didn't get a card; some stopped playing and some borrowed a card, You can just borrow from the bar and also there is sharing amongst players,

Why lend? What difference [not to lend] does it make? Lots of people are using borrowed cards – about 20 out of 50 would be using someone else's card. *End extract*

15. http://www.nsgc.ca/pdf/Omnifacts%20Bristol%20Research%20Report.pdf*

Comment: It would appear to us that the mainstream of card sharing was found to be from bar owners and staff handing out cards to those players who did not get a card or did not want to register for a card; or for those who did not want to use their own card for fear that personal information gathered might be used or those who forgot their card. This is an excellent example of the need for the implementation of a mandatory and regulated national pre-commitment system such as Regis Controls Smart Card system; where the card issuers and scheme operators (please also refer to the extract below) are independent third parties and *not* a gaming entity or partnered with a gaming entity or a monopolistic entity all of which usually have a significant conflict of interest.

Regis Controls agrees with the PC statement below and has been proposing this method for collection of large and small winnings in all our various submissions since 2000. The Responsible Player card (PIN or Biometric operated) should be connected to the player's personal gaming account; this would eliminate the majority of card sharing as individuals would be guarded about sharing their personal and private details and account information with others.

16. below extract from the Productivity Commission Inquiry Report Gambling - Volume 1 No. 50, 26 February 2010 - page 416*

Two practical concerns are often raised about player identification:

Extract- Gamblers may subvert pre-commitment by giving or selling their passwords, cards or other identifying device to others." The Australian Hotels Association (sub. 175, p. 62) considered that 'there is a real risk a second hand smart card market will develop where cards are sold to problem gamblers'. Evaluation of the Nova Scotia trial confirmed swapping is an issue, with around 35 per cent of players swapping cards at least sometimes (and in some cases getting them from venue staff). However, most did so rarely (Focal Research 2007, p 6). This risk could be addressed in part using biometric technology, or in a more simple fashion, by only paying out large prizes to a person if their apparent player identity matches other supplementary identification they may have (such as a driver licence). In Norway, cards only work on machines if a four digit PIN is used and money is paid into the identified player's account, which would also reduce any incentives to swap cards. *End*
*A photo could also be part of the laminated Smartcard for identification and this is in fact a biometric solution.

8. Internet gambling

Gambling providers including racing, casinos, pay-TV, internet, mobiles and sports betting offer the player a pre-commitment limit on their account and also allow credit card betting.
Comment: Problem gamblers and those at risk who have separate pre-commitment limits from each internet gambling provider (2000 and increasing) are able to compound limits into many thousands of dollars particularly if they chase their losses.

*The Regis Controls Responsible Player Card addresses these concerns by providing ONE limit across all gaming providers including EGMs and potentially other forms including internet.

The offshore internet gambling industry is thriving and soon the number of internet gambling providers will exceed that of EGM venues operators in Australia. Credit cards are accepted by virtually every site, enabling problem gamblers including those who borrow using credit cards from multiple sources to gamble. The most frequent outcome is that the individual ends up paying very high interest rates on their accumulated losses.

8.1 Background to the Implementation of a Smartcard Regulatory System in Australia

In 2008 were two Bills introduced in the Senate on restricting ATMs in gambling venues and proposing further harm minimisation measures and these have basically been deferred as a result of the Productivity Commission inquiry. These measures are now back on the political agenda following the Productivity Commission report.

Many of these harm minimisation proposals contained in one Bill involve machine redesign and reconfiguration (*e.g. spin rates, number of lines played, etc.*). Even if the PC final report does not focus on EGM redesign and software changes there are other changes planned by the State Governments which will have the same effect. Most states are planning further harm minimisation measures which include the removal of ATMs in gambling venues, pre-commitment including the potential introduction of Smartcard based systems (*based on current trials*).

It would be far simpler and quicker for one uniform and comprehensive harm minimisation system to be introduced nationally. There would be significantly lower implementation costs for the gambling industry and its suppliers in one changeover rather than a variety of solutions at different times in each state/territory.

The procurement costs for states/territories would be less through one contestable tender process per jurisdiction (which could be arranged nationally and/or state/territory basis and this process could be coordinated through The Ministerial Council on Gambling (MCG).

A uniform, comprehensive national approach would have a greater beneficial effect on problem gamblers taking into account the State and Territory Governments financial positions, associated budgets and some forthcoming elections which have the potential to delay much needed legislation. The Commonwealth Government would appear to have the necessary legislative power to introduce these proposed harm minimisation measures.

Whether change to existing EGMs comes nationally on a state by state basis it would be preferable if the gambling industry was advised as early as possible what the specified regulatory system will be and the exact time frame of implementation.

In the event that change is left to each state/territory, each jurisdiction has the option to adopt harm minimisation measures or defer/ignore such changes. Planned changes by three states will require the modification or replacement of the around half the 205,000 existing EGMs.

It is therefore important to specify those harm minimisation which require EGM redesign and/or rebuild as far in advance as possible e.g. incorporation of ISO 7816 standard smartcards. The average life of a poker machine is 5-7 years and virtually all new machines are Smartcard enabled today.

The Australian and New Zealand Gaming Machine National Standard Rev 9.0 established by Australian and New Zealand gaming regulators makes provision for Smartcard use.

There are over 50 suppliers of Smartcard operated EGMs and several hundred thousand machines in operation around the world. So virtually every EGM manufacturer has smartcard enabled play as part of standard EGM production models.

Many casinos and gambling venues around the world e.g. Las Vegas have introduced cashless (smartcard) gambling because of the significant cost savings without any requirement to do so by government. Potential savings include reduced machine down time, lower security costs, lower staff costs and less 'shrinkage'.

In Australia most EGMs today are Smartcard and/or mag stripe enabled as a result of either fraud reduction or loyalty systems, both of which are purely based on the business case for venue providers. The EGMs which are not Smartcard enabled tend to be the older models (4-7years old). If the gambling industry was given 3 years notice of a change to Smartcard enabled then during this period 50% of existing and older EGMs (assuming a 6 year life) would be replaced and the cost would be the same as at present i.e. no premium for Smartcard. At the end of 3 years the number of non Smartcard enabled EGMs would be less than 10%, say 14-18000. The cost of conversion even at the inflated industry estimate of $3000 per machine would equate to $20-26 per EGM in operation.
Given the commercial case for many overseas casinos to choose to adopt Smartcards to reduce operating costs and the adoption of Smartcards in Australia in order to reduce service operator fraud and loyalty schemes it is difficult to accept the gambling industry estimates of the increased costs it will have to carry (other than the cost of reducing the both number and spend by problem gamblers).

Possible Options for a Regulatory System

If Australia adopts a national regulatory system of harm minimisation for problem gamblers, initially covering EGMs and capable of extension to other forms of 24/7 electronic gambling such as internet, then a new regulatory authority will be required.

The Regulatory Authority should be a Commonwealth body and have responsibility for:

- Maintaining a national database on all forms of gambling and its effects
- Monitoring new forms of gambling and the impact on the economy, taxation and problem gamblers
- Policy advice on gambling legislation and trends

- Development and maintenance of a regulatory system incorporating harm minimisation measures
- Procurement of a regulatory system in conjunction with state and territory authorities
- Enforcement of regulatory legislation
- Liaison with overseas governments on internationally available gambling services such as internet based and the development of appropriate policy frameworks and reporting to the MCG on trends and policy advice.

Procurement Options for a Regulatory System

In order to for the successful implementation of a national pre-commitment system, the Committee needs to specify technically what that system should comprise and requirements for complying with all appropriate Australian laws and regulations. The recommendation should be uniform and comprehensive with *one* common universal device and *one* universal limit system for an individual which can be implemented across Australia with specified technical standards included.

A potential regulatory system to reduce the social and human cost of problem gambling requires more than one scheme operator with selection on a competitive tender basis without any conflict of interest.

No organisation currently providing gambling services or owned by gambling organisations or in operating in conjunction with a gambling provider such as a loyalty card scheme provider should be eligible to bid (*current examples of gambling organisations involved in managing harm minimisation schemes around the world clearly illustrate the potential for serious conflict*).

Gambling providers and syndicates partnering with gambling providers such as Loyalty Cards or machine manufacturers face a conflict of interest by running gambling for profit and at the same time trying to get people to gamble responsibly.

A number of major IT companies have expressed interest in competing to provide such a scheme operator service. It is suggested that the tender process should allow for ‘disaggregated’ procurement or ‘best of breed’ selection of the component suppliers. In this way the best registration body (which requires a national or state-wide retail network such as Australia Post) can be selected independently of the preferred scheme operator.

Similarly the best card suppliers can be selected and cards can be re-tendered more frequently than the scheme operation. It may be advantageous to allow tenderers to bid on a state/territory basis if state content is important or an existing retail network is only state based.

As Smartcards have internationally interoperable standards (ISO 7816) it is suggested that there should be more than one scheme operator (data collection, card management, help desk, provision of backup, software support etc.) for reasons of contestability with provision to prevent multiple cards being issued to an individual.

Potential Costs of a Regulatory System

The cost of setting up and operating a national regulatory system would be borne by the gambling industry and would be a small proportion of the current revenue from EGMs. Depending on the level of increase in cashless gambling and any incentives to achieve this then industry could more than recoup the costs of a regulatory system in 3-5 years and thereafter obtain ongoing cost reduction (*as overseas casinos and gambling venues have done and have clearly demonstrated*).

Regis has estimated these costs in total based in part on similar schemes overseas and is prepared to provide further information if required.

*Although Regis will not be a tenderer for supplying such a system or part thereof it considers that tenderers should determine these costs on a commercial and confidential basis.

Conclusion

Some 95% of current EGMs marketed are Smartcard enabled with over 50% already installed (primarily used to prevent fraud by machine maintenance staff) and the cost to the industry would be reduced greatly as the required changes for a Smartcard system would be minimal and the rejection rate of PINs is extremely low. The same user friendly system conforms to the PC recommendations allowing for future innovation in the presentation and design of the system and can also be utilised to regulate other forms of electronic gambling including internet, pay-tv and mobile phone based gambling.

The Members of the Joint Select Committee on Gambling Reform now has the opportunity to recommend national action to tackle problem gambling.

This may be the last opportunity for some years to reduce the billions of dollars spent annually on the social cost caused by problem gambling and the direct damage to 1.5 million or more Australians.

The Committee also has the opportunity to address the largely hidden growth in offshore internet gambling by Australians and from other new forms of developing technology. The effect of this type of offshore gambling is to transfer Australian money, jobs and taxes mainly to a few western countries with well-regulated gambling regimes but also to countries with little regulation, histories of tax evasion and minimal supervision.

There are benefits to Australia in implementing such a system that will increase the skilled job numbers in the IT, telecommunication and customer service industries through system operations, call centres as well as the overall stimulation of the mainstream economy by implementation of a national pre-commitment system which addresses problem gambling. The project also has significant export value for Australia.

Finally Regis is an organisation which has spent over ten years researching electronic systems for regulatory systems which provide proven and practical harm minimisation measures for EGMs and internet gambling. If requested we would be happy to provide further input to the Committee.

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Mailing Address:

Attention: Mr Elik Szewach

Regis Controls

PO Box 657

Elsternwick, VIC 3185

Bibliography

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