

InterChurch Gambling Taskforce



Submission to Inquiry into Gambling Reform – Pre-Commitment Scheme

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The Victorian InterChurch Gambling Taskforce (ICGT) and the Victorian Local Governance Association Local Government Working Group on Gambling (LGGWG) welcomes this opportunity to make a submission to the Joint Select Committee on Gambling Reform inquiry into a pre-commitment scheme. The Taskforce and LGGWG commend the extensive consideration of pre-commitment schemes by the Productivity Commission in Chapter 10 of their report. Therefore, this submission seeks to provide additional information and indicate where the Taskforce and LGGWG may differ in its views from what the Productivity Commission recommended.

The submitting bodies wish to emphasise, at the outset, pre-commitment is just one measure that is needed to curb the harms gambling causes in the Australian community. They support the need for a range of measures in the areas of consumer protection, product safety, staff training and restrictions on accessibility, within a public health framework, to minimise such harms to the maximum extent that is reasonably possible.

Victorian InterChurch Gambling Taskforce

The Victorian InterChurch Gambling Task Force was established in 1996 by the Heads of Churches in Victoria with the following objectives:

1. To increase awareness amongst the Churches about the broadening gambling industry and to potentially harmful effects on the common good.
2. To provide critical analysis and interpretation of research on gambling and the gambling industry, in particular the social and economic impacts and any other projects undertaken by the government, the Victorian Casino and Gaming Authority and the gambling industry.
3. At every level to communicate the alternatives to gambling as a solution to
 - a) individual personal problems
 - b) socio-economic development.
4. To call Government to further account for its integration of the gambling industry into its economic management.

Victorian Local Governance Association Local Government Working Group on Gambling

The Victorian Local Governance Association (VLGA) is a peak body for councillors, community leaders and local governments working to build and strengthen their capacity to work together for progressive social change. VLGA membership consists of local government, community organisations and individuals. Over 85 percent of Victoria's population are represented by the VLGA's local government members

The Local Government Working Group (LGGWG) is one of the VLGA's Advisory Groups and consists of a network of over 80 local government staff and councillors, as well as community organisations concerned with gambling issues (in particular electronic gaming machines), their local impacts, their lack of product safety and consumer protection regulation and steps to minimise harm including through planning regulations.

In previous submissions, the LGGWG supported the Productivity Commission Report on gambling, released in June 2010, including a national response to the full set of recommendations.

The design and implementation of a best practice full pre-commitment scheme – that is uniform across all States and Territories and machines – is consistent with the recommendations and findings of the Productivity Commission, and with the views of the LGGWG.

1. Introduction

The submitting bodies strongly endorse the Productivity Commission's examination of the available research that underpins and justifies the implementation of effective pre-commitment systems on electronic gaming machines (EGMs). This included that people "find it hard to stop playing", "fail to appreciate the risks to themselves" and "have their judgement impaired by alcohol".¹

While many EGM gamblers wish to limit their losses², the Productivity Commission noted research findings that:³

Around 70 per cent of EGM players report that they at least sometimes exceed their spending limits, with 12 per cent doing so often or always. Higher risk gamblers exceed limits more frequently and report greater harm from doing so. Players reported greater problems limiting expenditure on EGMs compared to other recreational activities, like consuming alcohol, spending on tobacco and entertainment/leisure activities.

Since the completion of the Productivity Commission report the latest findings in the South Australian pre-commitment trials have been released. The results broadly support the thrust of the Canadian findings, as outlined in the Fourth Progress Report to the Minister for Gambling by the Responsible Gambling Working Party⁴. However, the South Australian systems were clearly limited in that gamblers could gamble without having to enter the pre-commitment system.

Out of the two systems trialled and evaluated, it is clear that the efficacy of the Change Tracker Trial Card was less successful, primarily due to the low sample size and participant concerns of the card itself. Nevertheless, as noted in the Fourth Progress Report:⁵

¹ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. 10.3.

² Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, pp. 10.4 - 10.5.

³ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. 10.6.

⁴ South Australian Government, Supporting Customer Commitment, Fourth Progress Report to the Minister for Gambling by the Responsible Gambling Working Party,

http://www.treasury.sa.gov.au/dtf/policy_analysis/gambling_policy/responsible_gambling_working_party.jsp,

accessed 19 January 2011.

⁵ *ibid.*

the findings provide some insights regarding development of player tracking and pre-commitment tools and patron connection to the concept of tracking their gaming spend.

The trial and evaluation of the Worldsmart Trial resulted in far greater insights.

It is therefore notable that the Working Party identified the following key lessons learnt from the outcomes of the two trials and evaluations (our bolded emphasis added):

- Pre-commitment needs community education and the promotion of it being a tool for all players;
- Pre-commitment may assist players to better monitor spending and keep to limits, including higher-risk players;
- Limit setting and budget tools are viewed by patrons and some venue staff as being about addressing problem gambling, making a barrier to take-up;
- Patrons move between venues;
- Pre-commitment tools need to be easy to use and understand:
 - Limit options need to be minimal in number; and
 - Education about choosing a personal limit might be useful for patrons (safety net versus typical expenditure).
- For Phase 1 Worldsmart trial patrons (natural take-up) and Phase 2 actively recruited patrons there was a mean net decline in turnover of \$181.50 per person (equivalent to a 31.7% decrease and about ~21.60 spend) with Phase 1 having a slightly higher decrease than Phase 2;
- Human contact is important:
 - Staff intercepts on breaches may increase effectiveness of technology based pre-commitment;
- Player activity statements need to be simple to comprehend and made readily accessible (web, in-venue, kiosk, receipt-like statement);
- Progress warnings as limits are approached are a useful 'checkpoint' for patrons in relation to limits set. Responsible gambling messaging attached to default limits appear to work (though more research is needed over a longer term):
 - Findings suggest that pre-commitment is possibly a psychological contract and that messaging assists in adhering to that contract;
 - A very small number (20 of 500+) in Phase 3 (Default messaging) chose to remove the responsible gambling messaging with no negative consequences reported by those who chose to retain the messaging;
 - A significant majority reported that the responsible gambling messaging helped them keep to their spend limit and encouraged care with spending; and
 - Players identified that the 50% and 75% limit progress warnings were a useful 'checkpoint' to understand where they were relative to limits set.
- While results highlight positive effects of pre-commitment, higher risk gamblers may be more likely to set higher limits, exceed limits by a higher amount, increase limits and remove limits.

The submitting bodies note that the South Australian Minister for Gambling's Responsible Gambling Working Group, will be directly involved in applying lessons from the above trials and evaluations as input into a national pre-commitment policy through the Commonwealth Department of Treasury and Finance.

The submitting bodies note that features of a full pre-commitment system, as recommended by the Productivity Commission, are:

- Provide a means by which gamblers could voluntarily set personally-defined pre-commitments and, at a minimum, a spending limit, without subsequently being able to revoke these in a set period;
- Allow gamblers to see their transaction history;

- Encourage gamblers to gamble within safe spending and time limits, by specifying default limits;
- Include the option for gamblers to set no limit on their spending as one of the system options, but with periodic checking that this remains their preference;
- Allow occasional gamblers to stake small amounts outside the system;
- Include measures to avoid identity fraud;
- Ensure gamblers' privacy;
- Be simple for gamblers to understand and use;
- Present few obstacles to future innovation in the presentation and design of the system;
- Apply to all gaming machines in all venues in a jurisdiction, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.

The submitting bodies strongly support these measures.

2. The design and implementation of a best practice full pre-commitment scheme – that is uniform across all States and Territories and machines – consistent with the recommendations and findings of the Productivity Commission.

In terms of the Productivity Commission's recommendation, given above, for a full pre-commitment system the submitting bodies make the following additional comments.

2.1 Time delay in setting limits

An effective pre-commitment has the potential to assist gamblers to avoid risky and problematic behaviour by allowing them to set enforceable limits when they are in a more rational frame of mind in a context outside of a gambling session. It provides a barrier to the consequences of loss of control during a gambling session, curbing unaffordable losses in the 'heat of the moment'. Any pre-commitment mechanism that can be circumvented during a gambling session is thus unlikely to be of much assistance to those engaging in risky or problematic behaviour as the result of a loss of control during gambling sessions. This point was made by a number of researchers in submissions to the Productivity Commission inquiry.⁶

Any pre-commitment system that allows a gambler to simply exit the system at any point of time and keep gambling is ineffective.

The ability to simply circumvent a pre-commitment decision during a gambling session would largely defeat the main utility of a pre-commitment system. For this reason the ICGT and LGWGOG believe that it should not be possible to increase a pre-commitment limit for at least 24 hours. The submitting bodies note that 57% of EGM gamblers had trouble staying within their limits and EGM gamblers were more likely than other gamblers to exceed their maximum spend limit and bet size limit.⁷

A 24 hour wait period to increase a pre-commitment limit, while allowing for a limit to be immediately reduced, is consistent with some existing pre-commitment systems, such as the one operating at Crown Casino in Melbourne.

2.2 Transaction Histories

The submitting bodies believe that consumer research should be urgently undertaken to determine the most appropriate and useful format to allow gamblers to access their gambling history through the pre-commitment systems.

⁶ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. 10.23.

⁷ McDonnell Phillips Pty Ltd, "Analysis of Gambler Pre-Commitment Behaviour", Gambling Research Australia, June 2006, pp. 13, 15.

Such option would include:

- Being able to view expenditure records on the primary screen of the EGM;
- Being able to print off the expenditure records at a kiosk in the venue (which is already the case for at least one pre-commitment system operating in Queensland);
- Being able to access expenditure records online; or
- Having a statement e-mailed or mailed to them at periodic intervals to an address of their choice.

2.3 Default Limits

The submitting bodies strongly support the application of default limits that gamblers would choose to opt out of rather than assuming the initial limit is an infinite level of loss and time and requiring the gambler to set themselves an affordable limit.

The balance that should be struck is between setting default limits that are high enough that for the majority of recreational gamblers they will rarely if ever reach them, but not so high that the default limit would not have an impact on the majority of people engaging in risky or problem gambling behaviour.

If the limit is high enough to avoid impacting on the gambling behaviour of those engaged in affordable recreational gambling, it will reduce any sense of inconvenience for such gamblers. Their only interaction with the pre-commitment system will be to obtain the access device to enter the system and the need to insert the device each time they gamble.

However, it needs to be recognised that even a modest default limit may not impact on a person engaged in risky or problem gambling behaviour if they are on a low-income and therefore have low affordability to their gambling. However, pre-commitment is not, and should not be seen, as the only measure needed to minimise risky and problem gambling behaviour.

The Productivity Commission provides some data on session spend for gamblers from a number of states in Appendix B. For example, the average session spend for a recreational gambler in Tasmania in 2007 was \$18.20, compared to \$141 for a low risk gambler and \$196 for a problem gambler. Queensland figures were similar for 2006-2007 for recreational gamblers, being an average loss of \$20 per session for recreational gamblers, compared to \$43 per session for low risk gamblers and \$283 for problem gamblers. In South Australia the number of times recreational gamblers lost more than \$50 a session in 2005 was reported to an average of 0.8 times a year, compared to 5.8 times on average for low risk gamblers and 33.4 times for people with gambling problems. Data from Victoria from 2008 found only 8% of non-problem gamblers brought more than \$100 for gambling, food and other expenses when they planned to gambled compared to 19% of low risk gamblers and 47% of people with gambling problems.⁸

From the above data it would appear that a default limit of \$50 - \$75 a day (given very few gamblers would have more than one session a day) would mean the vast majority of recreational gamblers would not reach such a limit and would therefore not need to change the limit at all. At the same time, a majority of people with risky or problem gambling behaviours would either need to accept the default limit or change it to what they believed was affordable to them, at least requiring them to consider the affordability of their gambling.

2.4 Opting for No Limits

The submitting bodies support the Productivity Commission recommendation where a person opts for setting no limits on the pre-commitment system, they be periodically asked by the system if this remains their preference. We would suggest the frequency should not be at a level that will be annoying to the gambler, but not so infrequent as to be meaningless. Thus, a period

⁸ Sarah Hare, *A Study of Gambling in Victoria – Problem Gambling from a Public Health Perspective*, Victorian Department of Justice, September 2009, pp. 175-176.

of around three months would seem reasonable between being requested to confirm if no limits remains a person's preference.

However, the submitting bodies suggest that this measure is far too easily circumvented. A gambler only needs to set themselves a clearly unaffordable limit, such a \$10 million a day, and they will never be asked by the system if this remains their preference. The alternatives would be to have the system ask all gamblers on a periodic basis if the limit they have set remains their preference, or have the system ask this of gamblers that have set very high limits. The latter is probably preferable to minimise the impact on gamblers who have set affordable limits and would prefer not to be periodically asked if they wish to maintain this limit. Thus, the system might be better set to ask gamblers who set a limit of over \$200 a day on a three month basis if they wish to maintain their limit.

2.5 Allowing for Small Amounts to be Gambled Outside of the System

The Productivity Commission recommended allowing small amounts to be gambled outside of the pre-commitment system to not act as an inconvenience for occasional gamblers and overseas tourists. At the same time it needs to be recognised that this will allow a person who has reached their pre-commitment limit to have a mechanism to continue gambling, even where they may have preferred to not have such an option when they set their limit.

Before too much accommodation is made of allowing gamblers to gamble outside the pre-commitment system it is necessary to determine how inconvenient it really will be to be able to enter the pre-commitment system. For example, if a pre-commitment system is adopted where a gambler is always able register in under five minutes, there is a strong argument that all gamblers enter the pre-commitment system so as not to undermine the system for those seeking to have an enforceable limit on themselves. Australians and overseas tourists are used to having to register to access certain products, be it hire of DVDs, accessing a public library or hiring equipment.

The option of allowing occasional gamblers and tourists to gamble safely from outside the pre-commitment system may be served in a number of ways that reduce the likelihood that it becomes a serious loophole through which the entire full pre-commitment system is undermined. These would be:

- Allowing the issuing of pre-commitment devices with a very low limit, such as \$10, with some level of identity check to reduce the likelihood of a person being able to obtain multiple devices. There would need to be a requirement that venues cannot issue multiple such devices to the same gambler;
- Allowing EGMs to be operated without a pre-commitment device in a 'safe mode', where a maximum loss limit might be \$20 an hour. This could be permitted on EGMs that are fitted with the pre-commitment system; or
- Allow venues to have a small number of EGMs that are not pre-commitment enabled and that can only be operated in a 'safe mode' where the loss limit might be restricted to \$20 an hour.

2.6 Include Measures to Avoid Identity Fraud

Avoiding identity fraud is about assisting gamblers to stay within limits they wish to have enforced on themselves by not allowing them to gain another pre-commitment device when they reach their limit. If the identity check to obtain a device is not robust enough a gambler who hits their self-imposed limit could obtain another device in 'the heat' of a session. Also, a gambler may swap devices with another person to circumvent their limit, assuming the other person is willing to grant or sell access to their pre-commitment access device. Pre-commitment card swapping has been raised as an issue in the Nova Scotia trials.

Against this, a person who does not like the limit they have set themselves may only have to wait 24 hours to change their limit to avoid the need of having to try and beat an identity checking system or to avoid having to swap or purchase an access device from another gambler whose device is below the set limit. Also, consideration needs to be given to minimising the degree to which the identity checking measures create hostility or feelings of unreasonable intrusion from gamblers, creating a feeling of ill-will towards pre-commitment rather than a tool to empower gamblers in managing their spending.

2.7 Ensure Gamblers' Privacy

The pre-commitment system should comply with all relevant privacy legislation. This means no one should be able to have access to a gambler's details or gambling history in a way that would allow that person to be identified, unless they have consented for the person or body to have access to the information. Privacy provisions do not restrict policy making bodies within government and researchers from being able to have access to gambling data in a form that does not allow the individual gamblers to be identified. Further, this also means that gamblers are free to give informed consent to allow their gambling history to be accessed by researchers.

2.8 Extensions for Venues

The Productivity Commission recommended that venues with less than ten EGMs be given extensions to how long they have to implement pre-commitment on their machines. The submitting bodies believe that a criteria should be established for venues that can apply for such an extension, so that venues with less than ten machines that generate less than a certain amount of revenue are able to apply for an extension to implement pre-commitment on their machines.

In Victoria, such a process already exists for venues in rural areas to apply for an exemption to the coming 2012 requirement that EGM venues need to remove ATMs. Those meeting a certain criteria are able to apply to the Victorian Commission on Gambling Regulation for an exemption based on the assertion that the removal of the ATM from the venue will disadvantage the community from access to banking services.

In this case, venues applying for an extension would be required to apply to an appropriate regulatory body needing to show that it is not financially viable for them to implement the pre-commitment system on their machines within the current required timeframe. They would then be required to provide a timetabled plan by when they would implement the pre-commitment system on their machines. The assessing authority would weigh up the evidence that the venue genuinely needed more time to implement the pre-commitment system against the likely harm that failing to implement the pre-commitment system would have for that venue. The assessing authority would determine the appropriate length of extension for the venue to implement pre-commitment, if any extension is granted at all.

2.9 Need for a Central Monitoring System

The Productivity Commission assumes in its report that a full pre-commitment system would require a central monitoring system⁹, but this is not necessarily the case.

The Responsible Gaming Network state that their USB key system could be used without a central monitoring system, as the pre-commitment settings and the gamblers spending data could all be stored on the USB key itself. That said, the advantage of a central monitoring system is that authorities and researchers could use de-identified data (preserving the privacy of gamblers) to gain insights into gambling behaviour and to monitor the impact of any harm minimisation measures introduced, or changes made by the industry that seek to increase gambler losses.

⁹ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. 10.43.

For these reasons, the submitting bodies still prefer a central monitoring system as recommended by the Productivity Commission.¹⁰

2.10 Linking Loyalty Schemes and Pre-Commitment

The submitting bodies strongly believe that the proposed regulations should rule out the attachment of any loyalty scheme that will encourage increased gambling expenditure to the introduction of the pre-commitment mechanism. Ideally loyalty schemes should be prohibited altogether as they encourage risky and problematic gambling behaviour where they reward increased gambling activity.

The submitting bodies note the information gathered by the Productivity Commission in Appendix C of their 2010 report shows in other jurisdictions pre-commitment has in reality acted as a mechanism to promote loyalty schemes. For example, the Worldsmart Technology J-card system in South Australia has 32,000 loyalty card members of which 233 had enabled pre-commitment options.¹¹ While the Simplay system in Queensland had 13,750 patrons signed up of which around 590 had set spending limits.¹²

2.11 Staff Training

In order for a full pre-commitment system to be effectively implemented and supported, relevant venue staff will need training about the system and about supporting customers in the appropriate and effective use of the system. Such a requirement should be added to existing staff training requirements for venues at State and Territory level.

As noted from the South Australian trial above, it would appear that the right staff interaction with customers in relation to the pre-commitment system can result in significant enhancement of the effectiveness of the system.

2.12 Further Research

The submitting bodies note that the Nova Scotia efforts to introduce and trial pre-commitment provide much of the available evidence about the positive impacts pre-commitment can have in assisting gamblers to stay within affordable limits and manage their gambling.

Staff from Australian problem gambling counselling services have visited Canada. They have reported the Canadian gambling environment and Canadian gamblers are sufficiently similar to Australia that it is possible to draw broad inferences from the Canadian experience as to what is likely to happen with pre-commitment in Australia.

With the development and implementation of a full pre-commitment system the submitting bodies believe it is vital to draw on existing research and conduct additional surveying and focus groups to develop a system that holds to the above principles, while at the same time being convenient and easy to use. Such a system should not compromise on the above features, but should be implemented to cause the least resistance from recreational gamblers.

3. Appropriate terms of reference, to be set by no later than 30 June 2013, of a further Productivity Commission Inquiry to examine the impact of pre-commitment schemes on problem gambling and to determine what further harm minimisation measures may be necessary.

While pre-commitment has been selected as an effective measure to reduce problem gambling, the submitting bodies believe the terms of reference for a future Productivity Commission inquiry should focus on product safety and consumer protection in more detail.

¹⁰ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. 10.45.

¹¹ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. C.2.

¹² Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, pp. C.9-10.

The focus should not be on blaming problem gambling as being the fault of individual gamblers, but to examine what further product safety and consumer protection measures are likely to reduce the harms gambling causes in our communities. As the Productivity Commission report 2010 states:¹³

In other areas when consumers suffer detriment . . . they are referred to as consumers experiencing detriment, rather than ‘problem consumers’ . . . people fooled by internet scams may be naive, poorly educated or just vulnerable but policymakers generally identify the real problem as stemming from the behaviour of the ‘suppliers’ concerned . . . similarly in many issues of product safety.

It needs to be remembered that many people with gambling problems have high vulnerability. For example, 35% of problem gamblers have a severe mental disorder compared to 2% of non-problem gamblers. Groups suffering mental health problems have a higher likelihood of gambling problems and are particularly susceptible to the risky features of EGMs.¹⁴

Thus the Productivity Commission should further consider the measures assessed in Chapters 8, 11, 12 and 14, that considered in-venue information and gambling advertising, game features, machine design, venue activities, staff training and accessibility of gaming machines.

4. Monitoring the impact of reforms to address problem gambling

It will be important that the implementation of pre-commitment and its impact on reducing risky gambling behaviour and problem gambling is monitored and assessed in thorough longitudinal studies. There is already concerning statements being made by legislators and State Governments suggesting that if pre-commitment is introduced other consumer protection and product safety measures will not be need to be implemented. The submitting bodies do not believe the available evidence demonstrates that even if a full pre-commitment system is fully implemented it will be the whole solution to problem gambling. Other consumer protection and product safety measures will still be needed. There will still be people with gambling problems who will not set themselves affordable limits on the pre-commitment system.

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¹³ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. 5.3.

¹⁴ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra, p. 3.12.