ATM Industry Reference Group

Submission from the ATM Industry Reference Group to the Joint Select Committee on Gambling Reform Inquiry into the National Gambling Reform Bill 2012 (and related bills)

12 November 2012

Executive Summary

- Any evidence that links the level of problem gambling to the presence of ATMs in gaming venues is inconclusive.

- There should be a lead time of not less than 12 months from the date of the National Gambling Reform Bill 2012 (and related bills) passing Parliament for the proposed daily withdrawal limit on ATMs to apply.

- The proposed ATM daily withdrawal limit should be higher. Allowing for CPI of 3 per cent per annum since the Productivity Commission report of 2010 which proposed the $250 limit, the limit should be closer to $300. However, the AIRG is supportive of a limit of $400, which had a clear impact of reducing ATM transactions and cash dispensed in Victorian gaming venues when such a limit in Victoria was applied.

- There are safety implications of the proposed limit being too low – if a card-holder has reached his or her limit and would like to access more cash, they may choose to exit the licensed venue and go out on the street to another ATM to withdraw more cash. Especially after dark, this increases the risk to their safety.

- Hotels, in particular, heavily rely on ATMs for food-and-beverage sales, therefore lower ATM limits could have the impact of curtailing this important aspect of their business.

- The ATM industry is open to the development of a properly constructed and sustainable industry-wide self-exclusion mechanism for problem gamblers being made available on ATMs in gaming venues, therefore negating the need to impose a daily withdrawal limit.

- A gaming venue should be defined as within the licensed area of a licensed premises.

- If the proposed limit becomes law, there must be exemptions for isolated ATMs, notably ATMs in regional and country parts of Australia.

- The AIRG would be open to discussing other alternative options in place of a withdrawal limit.

About the ATM Industry Reference Group

The ATM Industry Reference Group (AIRG) was established in early 2008 to provide an industry voice on regulation of Automated Teller Machines (ATMs). Three organisations are members of the AIRG and together, these companies represent close to 50 per cent of all ATMs currently operating in Australia and in excess of 90 per cent of all independently operated ATMs in Australia.

The members of the AIRG are:

- The Banktech Group Pty Ltd;
- Customers Limited; and
- Cashcard Australia Ltd.

Members of the AIRG are not involved in the business of gaming. They provide services for bank customers to access their cash in convenient locations through ATMs.

How ATMs work – a complex business

ATMs are an integral part of the network of access points that financial institutions and independent operators provide to bank customers in order to access cash in accounts. The structure of the network is often described as being a "four-party system" because up to four parties are involved in a single transaction:

- The card-holder;
- The issuer of the card-holder's card (always a financial institution);
- The acquirer of the ATM transactions; and
- The ATM owner/operator (deployer).

In many instances in Australia, the ATM owner/operator also functions as the ATM acquirer). The card issuer is usually not the ATM owner or the acquirer. When the ATM owner/operator, the acquirer and issuer are different entities, technological and contractual links exist in the form of bilateral agreements between parties on clearance and settlements, technology platforms and costs. The fees charged to consumers as a result of these arrangements are transparent as a result of the direct charging reforms introduced by the Reserve Bank of Australia (RBA) in early 2009.

In simple terms, card issuers or card-holders pay a fee to ATM operators for each transaction, who, in turn, may pay a fee to acquirers for ATM transactions.

The three members of the AIRG are not card issuers and one (Cashcard) acquires its own ATM transactions.

ATMs in licensed premises – convenient access to cash

The presence of ATMs in licensed venues has been commonplace for more than a decade, coinciding almost exclusively with the increasing prevalence of independent ATM deployers, including members of the AIRG.

A number of reasons exist for the popularity of ATMs in licensed venues, with convenience being at the top of this list. This is underpinned by the fact that these businesses remain largely driven by cash trade. A typical venue patron uses the in-venue ATM because it is a safe and convenient place to withdraw cash for the purpose to spend in the venue and elsewhere. ATMs in licensed venues provide card-holders with a level of privacy, are well lit, have CCTV coverage and often security staff are close by.

Importantly, ATMs in licensed venues offer safe and secure environments for the handling of cash, particularly after dark.

Hotels, in particular, are heavily reliant on ATMs for food and beverage sales. The level of food and beverage sales is generally the most important element influencing the success or failure of licensed premises. A major report has found more than 80 per cent of hotels are heavily reliant on ATMs for food-and-beverage sales (PricewaterhouseCoopers, 2009).

The implementation of a reduced withdrawal limit within licensed premises would have a direct impact on convenience to consumers who utilise the cash withdrawn to spend in and outside of the premises. Many consumers access cash within licensed premises for spend on food and beverages, as well as expenses outside of the licensed venue. As the percentage of problem gamblers has been estimated at less than 1 per cent, the legislation will unfairly impact the overwhelming majority of other consumers accessing cash within licensed premises.

Harm minimisation

There is no strong evidence which links the level of problem gambling with the presence of ATMs in gaming venues.

In the past decade, the prevalence of problem gambling has decreased, yet the number of ATMs in gaming venues has dramatically increased over this period.

Commencement date of ATM daily withdrawal limit

Section 14 of the National Gambling Reform Bill 2012 states that the proposed daily ATM withdrawal limit should apply from 1 May 2013.

It is the submission of the AIRG that there should be a lead time of not less than 12 months from the date of the legislation passing Parliament for the daily withdrawal limit to apply. This has been the position of the ATM industry throughout the policy debate on national gambling reform, which has been taking place since 2007, and it remains our position.

Any lead time for this significant change of less than 12 months places at risk the successful implementation of the daily withdrawal limit on ATMs in gaming venues.

There are numerous reasons why a 12-month lead-in time is necessary, most of which are due to the physical processes of making this change. These include:

- Unlike Victoria where a limit of $400 per card applied across any 24-hour period, the current proposed change would apply across multiple states and territories, which are all subject to different legislative and regulatory models;
- The geographical locations of ATMs in gaming venues across Australia are spread far and wide;
- It will take many months for each ATM company to put in place the necessary technological arrangements to differentiate between ATMs in their networks that the limit would apply to (licensed premises with electronic gaming machines – EGMs) and those that it wouldn't (service stations, convenience stores, licensed premises without EGMs, other locations, etc). As part of this process, ATM companies will have to identify and work on ATMs at each individual site (there are currently more than 5000 of ATMs located on licensed premises in Australia);
- On the basis that these bills were to pass Parliament before the end of 2012, the development process for the implementation of this limit would not be able to commence until mid-January 2013, due to industry change moratoriums in place across the peak processing period within the ATM deployers. These moratoriums are

self imposed and have been put in place for the protection of the payment system across peak periods such as Christmas and holiday periods. These moratoriums are critical to ensure integrity to the payments system and so that there is no interruption to consumers during this peak period for access to cash;

- In many instances, the introduction of the limit will mean that fresh contractual agreements between the ATM companies and merchants (hotels, clubs) will need to be agreed upon and struck;
- ATMs that are captured by the limit will need to be programmed to ensure that once the limit is reached, further withdrawals are rejected;
- ATM and network technology will require updating to ensure the limit applies across multiple terminals and multiple transactions, and overall impact to locations where more than one service provider is present;
- The AIRG notes that there is no ability for venues to maintain compliance with the proposed legislation where multiple devices by multiple service providers are in place, resulting in removal of one of the service providers' device and requiring a logistical effort to be undertaken, as well as the technical effort, not to mention negotiations regarding contractual breach relating to early contract termination remedies with one of the providers;
- ATM companies will need to ensure that information displayed on ATM screens is updated; and
- ATM companies will need to update reporting processes in order to ensure that this major policy change can be adequately monitored.

ATM companies take very seriously their obligations to comply with Australian law and given that the legislation proposes fines of $1,100 for a party that does not meet its legal obligations, it must be ensured that the proposed limit becomes a reality in a smooth and seamless manner. For this to happen, a minimum lead time of at least 12 months is required.

The AIRG rejects any suggestion that because the draft of this bill was released in February 2012 that ATM companies have already had time to prepare for the proposed changes. There are no guarantees that what was proposed in the draft legislation and what is being proposed in the National Gambling Reform Bill 2012 will become law until the bill passes both houses of Parliament.

It is for this reason that no stakeholder in the operation of ATMs in gaming venues has invested any significant amount of time and/or money in preparing for such change. Stakeholders will only do this once changes are enshrined in law. Even then, given the legislative process, there will still be a high amount of uncertainty due to the implementation of legislative elements through regulation and some even being made at state/territory level.

The size of the ATM daily withdrawal limit – should be $400

Recommendation 13.2 of the Productivity Commission's final report as part of its inquiry into gambling (which was completed on 26 February 2010) stated that governments should modify existing regulations of ATMs in gaming venues by introducing a limit on cash withdrawals of $250 a day (except for casinos).

It is the submission of the AIRG that the $250 limit should be higher. Allowing for CPI of 3 per cent per annum since the release of the Productivity Commission report, the limit should be closer to $280, and could be rounded to $300. It should also be remembered that from the time the Productivity Commission proposed the $250 limit (February 2010) to when it would first apply (May 2013) would potentially be a period of in excess of three years. Yet there has been no increase in the limit proposed which takes into account the higher cost of living over this three-year time-frame.

Even allowing for this, the AIRG is supportive of a limit of $400 as a measured and tested approach. When this limit was introduced in Victoria in 2010, it had a significant impact on the number of transactions in gaming venues – the decline in withdrawal approvals was significant with approximately 5 per cent declined due to card-holders reaching the $400 maximum.

Other reasons why the daily limit should be $400 include:

- When direct charging of ATM fees was introduced in 2009 by the RBA, card-holder behaviour changed such that consumers now withdraw more money on average in each transaction in order to avoid incurring ATM fees; and

- There are safety implications of the limit being too low – if a card-holder has reached his or her limit and would like to access more cash, they may choose to exit the licensed venue and go out on the street to another ATM to withdraw more cash. Especially exiting licensed premises after dark, this increases the risk to their safety.

Self-exclusion from ATMs

The ATM industry is open to considering a self-exclusion mechanism being made available on ATMs in gaming venues instead of the imposition of a daily withdrawal limit. Such a mechanism would work in a similar manner to voluntary precommitment on an EGM, however, it would instead apply to an ATM.

Under such a proposal, self-identified problem gamblers would be banned or can reduce their daily withdrawal limit when accessing ATMs in gaming venues.

As part of entering a voluntary Deed of Exclusion, the person seeking exclusion would be required to provide details of their ATM card(s). The card and venue data would then be provided to the ATM provider (via a central industry or government-approved body) and that card would then be blocked from use at the venue's ATM.

The advantages of such an approach are that it:

- Adds a valuable tool to the concept of self-exclusion;
- Strengthens the existing "manual" self-exclusion system via technology as participants would not be able to gain access to cash via an ATM at the venue should they re-enter and not be detected by venue staff;
- It would force those who have self-excluded who have not been detected by venue staff to use EFTPOS and therefore significantly increase the likelihood of identification by venue staff;
- Provides a discreet manner for problem players to help their commitment to deal with their gambling problems; and
- Ensures that the 99 per cent of card-holders who are not problem gamblers are not inconvenienced by reduced access to their cash.

The opportunity to prohibit access to ATMs within venues for problem players could also be offered to those patrons who do not wish to self-exclude, but rather they are seeking a means to better manage their level of gambling activity. Restricting their access to cash within a venue may provide assistance to such individuals as part of a range of tools, including counselling.

The AIRG seeks the support and opportunity to work with governments, the gambling industry and counselling services to explore and develop this self-regulatory concept or to discuss other options that may be appropriate to protect problem gamblers.

Another alternative would be to create a greater level of awareness that consumers can already impose limits on ATM withdrawals through their financial institutions. The ATM industry is open to working with other stakeholders to determine if this initiative should be progressed.

Other Considerations

Despite the relatively short time-frame between the introduction of the legislation and the deadline for lodging this submission, the AIRG has identified other issues arising from the bill. These include:

- Definition of ***gaming machine premises***
  This definition, as described on page 7 of the bill, is too broad and is open to interpretation/determination by the regulators, creating significant uncertainty for the ATM industry and gaming venues alike. Gaming machine premises should be defined as within the licensed area of premises where EGMs are located. An example of where unintended consequences could impact on ATMs that are located nearby a gaming venue is where a gaming venue is located within or adjacent to a shopping centre.

- Defining the daily limit
  The AIRG supports Section 39 of the bill that stipulates the daily limit would apply over a 24-hour period, as opposed to a limit per day/ trading day/ particular date.

- Exemptions for Rural ATMs
  If the proposed limit becomes law, there must be exemptions for ATMs, in regional and country parts of Australia. Such ATMs are the only method for which consumers can access cash for many kilometres and therefore, limits must not be applied. Consideration must also be given to situations where there may be two ATMs in a country town, but one is in a location which closes at night, leaving the other ATM in licensed premises as the only ATM which can be accessed at certain times.

Conclusion

The AIRG is pleased to provide this submission for consideration and looks forward to further engagement with the Committee and other relevant stakeholders about the issues we have raised.