

SUBMISSION TO THE SENATE COMMUNITY AFFAIRS COMMITTEE
ATMs AND CASH FACILITIES IN LICENSED VENUES BILL 2008

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Synopsis

The Senate Community Affairs Committee members are currently reviewing the potential banning of ATMs in gambling venues as a means of reducing problem gambling on poker machines. EFTPOS terminals provide a further means of obtaining cash for gambling and this method is addressed in this submission.

This submission addresses four aspects of cash availability in gambling venues:-

- Are ATMs in gambling venues a contributory factor to the level of problem gambling in Australia?
- Are there alternative technologies which would be feasible, cheaper and most importantly which could be programmed to comply with the requirements set out in the Poker Machine Harm Minimisation Bill 2008?
- What is the evidence that these technologies work and secondly that they could reduce problem gambling?
- How could the proposed legislation be further evaluated and tested?

1. ATMs and Problem Gambling

There are estimated to be some 3000 ATMs in or close to gambling outlets in Australia, very few of which are directly controlled and operated by banks and other DTIs.

At least five state governments have established that ATMs in gambling venues are part of the cause of problem gambling, for example:-

- South Australia has limited cash withdrawals to \$200 per transaction (it is now the only state which allows credit advances i.e. use of credit cards to obtain a cash advance)
- Queensland has debit only withdrawals and is now proposing the adoption of a national limit
- Victoria is introducing a limit of \$400 per transaction in 2010 and planning to remove or distance ATMs completely in 2012
- Tasmania does not allow ATMs in pubs and club gambling venues (casinos excepted)
- NSW allows only debit withdrawals

No state limits the number of transactions per 24 hours or beyond in gambling venues. The lowest limit is in South Australia at \$200 per day which is \$1400 per week and \$73,000 per year, which is well above the limit proposed in the Harm

Minimisation Bill 2008. In reality the limit is that actually imposed by the card issuer, because a problem gambler can obtain more than one transaction a day. This actual limit can be up to \$1000 per day for credit cards and \$1600 per day for debit cards for example a *CBA customer using Keycard together with a MasterCard can obtain \$1600 every 24 hours from an ATM*

A number of other countries have in effect restricted ATM withdrawals by adopting cashless gaming with a daily, weekly or other periodic limit and banning the use of cash (notes/coins) in poker/EGM machines.

New Zealand banned ATMs in gambling venues in 2003 including in dedicated TAB outlets. The gambling industry in Australia is very resistant to the prospect of ATM withdrawal, citing customers' preference for cash expenditure on food and bar services. The gambling industry in over 20 countries has chosen to adopt cashless gaming in a significant number of venues or has supported government legislation to introduce cashless gaming.

Research by the Productivity Commission indicates that 90% of non problem gamblers (recreational gamblers) did not use or rarely used ATMs in gambling venues. In contrast 59% of problem gamblers (defined then as SOGS 10+) always or often used ATMs in gambling venues. This data confirms that it is the problem gamblers who rely on on-site ATMs to support their gambling habit. Removing or distancing ATMs will of itself not have a major impact on problem gamblers. Removing 3000 out of 27000 ATMs may inconvenience problem gamblers but combining the measures in the Harm Minimisation Bill 2008 with removal of ATMs will have a significant impact.

2. Use of Other Technologies

The Harm Minimisation Bill proposes the adoption of smartcard gambling in poker machines which would have higher limits compared with cash based gambling. The issue is if ATMs are banned how does a card holder add money using either cash or a debit/account card on to their smartcard?

EFTPOS terminals, although capable of reading/writing to EMV smartcards, are totally unsuitable for the following reasons:-

- An EFTPOS transaction requires the intervention of a staff member (expensive and liable to delays particularly if a signature is required)
- The EFTPOS terminal automatically contacts remote VisaCard/MasterCard/bank databases (totally unnecessary when using the player wants to use cash. It is an expensive transaction and subject to delay and/or connection problems)
- EFTPOS terminals neither accept cash directly (the electronic cash register (ECR) is required to store physical cash) nor are programmed to load cash (e-cash) on to a smartcard.
- EFTPOS terminals are unsuitable for any cash outs i.e. converting e-cash on the smartcard into cash. The ECR would have to be used in conjunction the EFTPOS terminal which again is both expensive and time consuming.
- Most EFTPOS terminals can only read one card at a time, so using a debit card transaction to transfer cash to a smartcard would require

separate card insertions/transactions and any card holder would have difficulty in verifying exactly what transactions had occurred (authorisation by the cardholder would be problematic unless a screen much larger than a two or four line EFTPOS terminal screen is used.)

- EFTPOS terminals are generally not used at present for providing cash for gambling and often are subject to queues in larger venues during busy periods.

If ATMs and EFTPOS terminals are not going to be used to load/unload value to/from a smartcard then a different device is required. The requirement for such a device which can add value or e-cash on to a smartcard including pre-commitment and subsequently transfer the e-cash (winnings and/or residual value) back into cash or to an account for the card holder can be stated as:-

- a) Complies with the terms adopted in the Harm Minimisation Bill 2008 (the value transferred does not exceed the maximum limit, the player may set a lower limit, player exclusion, pre-commitment, deferred payment of large winnings, no credit accounts to be used etc.)
- b) Accepts cash and/or debit or account card input
- c) Provides output from the smartcard in the form of cash and/or debit card and possibly cheque authorisation in the case of a major win.
- d) Defers payment of winnings if the amount exceeds the rules set for a single payout
- e) Allows the card holder to select any residual value (e-cash) and/or pre-committed money to be held on the smartcard
- f) Meets the security, encryption, audit trail requirements of appropriate regulatory authorities e.g. APRA, state regulatory authorities, testing authorities and auditors of all stakeholders.

Suitable machines do exist and are used in the gambling industry overseas, probably without the range of harm minimisation measures now being proposed for Australia. Similar machines are also in public transport ticketing. In the case of ticketing over 100 cities internationally are using **Add Value Machines** which allow passengers to transfer cash onto a smartcard using cash and credit/debit cards, store notes/coins securely, print a receipt and either use a touch screen or button system to operate. These machines cost 10-20% of a full function ATM machine due to their limited range of transactions.

Add Value machines for transport ticketing do not have cash out facilities, which are normally provided by separate manned outlets as cash refunds are infrequent types of transactions in public transport.

In the case of cashless gambling the Add Value machine used is similar but in order to transfer money or e-cash from the smartcard back into physical cash a separate Cash dispenser machine is required (sometimes referred to as a Mini Till). The poker machine can dispense cash but cannot comply with a number of the conditions contained in the bill such as deferred payment of winnings and pre-commitment.

The functionality of this machine is to read a smartcard and to transfer the amount specified by the card holder into cash and/or to be retained on the smartcard.

Both machines are operated by patrons and provide the necessary security and financial compliance for transactions. Card holders authorise transactions and can obtain a printed receipt and are able to print a record of their gambling over a period

In general the cash dispense pays out to the nearest (lower) dollar and retains any amount in cents on the smartcard (a payout of \$31.70 is paid on request as \$31 and 70 cents is held on the card.) The card holder can opt in many venues to have \$20 paid out in cash and \$11.70 is held on the card for future use or further payout.

The cost of a cash dispenser is substantially less than a fully functional ATM because it does not need to contact a central banking host system for each transaction and has a limited range of transactions. Many gambling operators (over 1000 casinos around the world) have voluntarily adopted cashless gambling because the business case saves them money (lower staff costs, reduced shrinkage, full data reporting and reconciliation, lower poker machine operating costs, fewer coin jams and reduced risk of robbery and vandalism, etc.)

Although cost benefit data is difficult to obtain it is possible that Australian gambling venues could expect a payback on cashless poker machine gambling within 2 years if the US and European experience is any guide. The UK gambling industry strongly supports smartcard EGM gambling in submissions to recent enquiries by the UK Government into gambling because of the cost benefits which are expected to flow to the industry, but unlike Australia the UK industry is not threatened by accompanying new harm minimisation measures as these have been established separately for EGM machines in UK.

Cashless or smartcard EGM gambling is predominant or well established in Austria, Denmark, Norway, Slovenia, South Africa, Sweden and the US. Other countries which appear to be moving towards adopting some form of smartcard poker machine gambling include Canada (some provinces), Finland, New Zealand (trials proposed) and UK.

There are over 20 suppliers of appropriate equipment around the world so there should be genuine contestability in the procurement process. It is also feasible to tender solutions on a state or other basis and achieve an interoperable outcome, provided **the interoperability business rules are established and agreed up front.**

Some of the measures suggested in the *Regis further response on the Harm Minimisation Bill 2008* which are relevant to cashless gambling are repeated below:-

- The smartcard can be either pin and/or biometrically operated. The card has an inbuilt thumbprint 'reader' which compares the image with that stored in the chip when the card is inserted. This prevents lost and stolen cards being used and card borrowing.
- The smartcard can only have electronic value added by an Add Value machine in a gambling venue. This machine will only accept notes, bank and debit cards and not credit cards or line of credit accounts
- The smartcard and Add Value machine are programmed not to accept transfer beyond the limit specified (either the maximum or player specified lower limit)

- 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
- 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 and physical cash gambling
- 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 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.
- 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 account

If the Senate Committee members would like more technical input on the options for smartcard and cash based limits and the potential cost range Regis Controls is happy to submit this.

3. The Potential Impact on Problem Gambling of Banning ATMs

Banning ATMs from gambling venues is not in itself going to have a significant effect on existing problem gamblers. It will inconvenience them, but when applied in conjunction with the measures in the Harm Minimisation Bill 2008, particularly limits it will have an effect.

More significantly the combination of measures in both bills should have a significant effect on potential problem gamblers and those at risk. Those under 25 are twice as likely to become problem gamblers and those under 18 are three times more likely than older age groups.

If there are loopholes in the bill which allow players to spend more cash than the limit set then problem gamblers will usually find ways to get cash whether it involves inconvenience or even begging, borrowing or stealing.

For this reason there must be an effective combined limit for both cash and e-cash gambling. The only practical method is to have one limit on a personalised smartcard and whether the card holder uses cash or pre-committed electronic value on a smartcard or both then once the limit is reached the card will not operate until such time when the existing limit expires.

If a player can exceed the maximum limit by changing machines, venues, using coins or any other means then problem gamblers certainly will find ways to achieve this. We also consider that the limit should be capable of being applied to internet gambling in due course as Australians appear to rate as number 6 in the world on per capita internet gambling expenditure and restricting problem gambling on poker machines in venues will lead to a further increase in internet gambling particularly by under25s, who are most at risk of becoming problem gamblers.

4. A Possible Way Ahead

This submission together with two others by Regis Controls in respect of the Harm Minimisation Bill 2008 has set out in some detail the technical options which could be adopted if and when the two bills are combined. We have quoted examples from other countries which have adopted comparable harm minimisation measures, although none has yet adopted the full range of measures now proposed for Australia.

Reducing the money spent in problem gambling will affect the individuals with compulsive gambling habits and their families, the gambling industry and state and territory government revenue. The cost of introducing the harm minimisation measures is substantial, particularly the technology components and all stakeholders need reassurance that Australia is proposing to adopt a viable, effective and economic solution for poker machine gambling for the long term (which should include provision for compatible measures for internet and other forms of 24/7 gambling in due course)

Some further considerations are outlined below for consideration as the three bills are progressed and reported upon by the Senate Community Affairs Committee.

1. The Senate Committee will review in its report the proposed harm minimisation measures based on the evidence which has been received. One critical decision is how to enforce a maximum limit for cash (note/coin) and combined cash and smartcard gambling in poker machines which cannot be exceeded by the most innovative problem gambler.
2. The Senate Committee may wish to contact other jurisdictions in some of the countries mentioned in Regis submissions (possibly some fifteen) which have introduced some of the harm minimisation measures proposed. This evidence may be valuable in reassuring key stakeholders about their particular concerns.
3. The Senate Committee or its nominee may wish to obtain further evidence from potential suppliers around the world about their capabilities to provide potential solutions. This should include potential scheme operators, equipment suppliers and card issuers.
4. Trials of potential solutions are being planned by several states and some form of coordination may be beneficial so that the measures in the proposed federal bill are incorporated rather than potentially different state based solutions.
5. As part of its report the Senate Committee may opt to outline the specification of a potential operational system (output based) for further consultation with states and territories (one framework is the Ministerial Council on Gambling (MCG)), regulators, gambling venue operators, poker machine suppliers, machine suppliers for adding/transferring value in relation to smartcards, banks and DTIs and other key stakeholders.