

7th August 2008

Committee Secretary
Community Affairs Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam

Please find enclosed our submission to the Community Affairs Committee for its Inquiry into the Poker Machine Harm Minimisation Bill 2008.

In our submission we discuss academic support for player pre-commitment in a gambling context; recent research findings from both overseas and Australia which confirm player support for pre-commitment; and the technologies available for providing player pre-commitment.

However, we argue against the use of problematic smart cards as the technology solution for pre-commitment; reference Australian Government commissioned research which supports our position against smartcards; and discuss the significant advantages of utilising biometric USB keys in preference to smartcards - in particular their elimination of card sharing amongst problem gamblers; their ability to completely eliminate underage gambling on poker machines; their elimination of the need for expensive card readers; their maintenance of the use of real cash rather than digital cash in poker machine gambling; their utilisation of the ubiquitous global USB communications standard rather than incompatible proprietary smartcard standards; and their ability to provide players with loss limit protection across multiple channels of distribution of gambling using one single device.

I have recently returned from addressing the 7th European Conference on Gambling Studies and Policy Issues in July this year on this very topic of "Beyond Smartcards to Smart Technologies"

In light of this evidence we would encourage the Parliament not to mandate the specific technology of problematic and outdated smartcards as the pre-commitment technology solution for poker machine gambling in Australia.

In addition, we would encourage the Parliament to introduce pre-commitment in a phased approach in order to garner the support of the community during its implementation. In the first instance we would recommend the adoption of a voluntary pre-commitment regime using mandatory USB Keys for all machine players. The next phase of implementation could be compulsory pre-commitment limits being required to be set by all players. Only the final phase of a pre-commitment regime should include additional compulsory pre-commitment loss and time limits mandated by the Government.

Naturally we are prepared to present our submission in person and answer specific questions of Committee members at any subsequent hearing of the Committee.

Kindest regards

Phillip Ryan
Chief Executive Officer

POKER MACHINE HARM MINIMISATION BILL 2008

1.1 Problem Gambling

Australians lose over \$15 billion PA in commercial gambling. Electronic gaming machines (or poker machines) are the most popular form of gambling, comprising more than 50 per cent of total gambling expenditure.

The gaming industry is now a significant industry in Australia, generating enormous wealth for hotel & club owners, machine manufacturers, central network operators, and significant taxation revenues for state governments.

The growth in gaming across the country in the 1990s has given rise to growing public concerns with problem gambling. These concerns have led to a proliferation of highly vocal anti-gaming lobby groups applying pressure to all state governments to reduce their dependency on gambling, and in particular, gaming revenue, in order to minimize the negative social and economic impact on problem gamblers.

As the issue of problem gambling with poker machines intensifies, state governments across Australia have been applying various harm minimization regulations to poker machines (slower spin rates, maximum bet values etc) and to the gaming room environment (installation of clocks, warning signs, smoking bans etc). All such measures are aimed at reducing problem gambling.

To date none of these harm minimization initiatives has significantly reduced the incidence of problem gambling, therefore leaving society's concerns unsatisfied whilst continuing to threaten government taxation revenues.

Thus state governments are caught between trying to help problem gamblers, and also not wishing to enact any changes that would negatively impact their current gaming taxation revenues.

State governments however are under continued pressure to address public concerns towards poker machine addicts from a range of pressure groups including the churches, social welfare lobby groups and opinion leaders in the community.

It is well documented that 80% of problem gambling can be attributed to poker machines and that 94% of all poker machines in Australia are located in suburban hotels and clubs rather than casinos.

Current gaming operators have shown very little concern for problem gamblers (and indeed have been exposed in the media for attempting to exploit problem gamblers), and are consequently key targets for a wide range of public pressure groups.

1.2 The Social and Economic Costs of Problem Gambling

The elimination of poker machine problem gambling will therefore eliminate the vast majority of the social and economic costs of problem gambling in the community (since 80% of problem gamblers can source their addiction to poker machines).

Some of the currently identified social and economic costs of problem gambling include:

- Emotional distress of immediate families;
- Breakup of relationships;

- Depression;
- Emotional distress of parents;
- Emotional cost of divorces;
- Thought of suicide & attempted suicides;
- Impact of attempted suicides on immediate families;
- Productivity loss at work & outside work;
- Job change earnings loss; and
- Bankruptcies etc.

These social and economic costs of problem gambling are estimated by the Productivity Commission to be a minimum of \$1,369 million PA, and up to a maximum of \$4,250 million PA, as a direct result of only electronic gaming machines across the whole of Australia.

1.3 Player Pre-Commitment Solutions

Researchers have discovered that 80 to 90 per cent of regular poker machine players experience loss of control over the amount of time and money they spend on these machines. Professor Mark Dickerson, who has been eminent in this field of problem gambling in Australia, and many other researchers, argue that players should be required to make logical pre-commitment decisions prior to playing poker machines. They argue that players are only able to make rational purchasing decisions away from the influence of these addictive machines.

Recent government inquiries and research studies have supported the implementation of player pre-commitment to reduce problem gambling.

1.3.1 The Kirby Report into Gaming Machines in Victoria

A significant number of submissions to the Kirby Inquiry ⁽¹⁾ in Victoria in 2006 called for consumer protection through the establishment of a pre-commitment system to allow players to make rational purchasing decisions prior to interacting with poker machines. Submissions supporting a pre-commitment system were made by both Members of Parliament and local branch members from within the government, as well as Members of Parliament from alternative political parties in the State of Victoria.

Submissions supporting the introduction of a player pre-commitment system were also received from numerous local councils, the Local Government Working Group on Gambling, Gamblers' Help, The Inter-Church Gambling Task Force, individual church organizations, academics, community organizations and a range of individuals.

Gambler's Help independently reported in their submission to this Review that their own survey shows that 84 per cent of respondents in Victoria support a system that enables players to set spending limits before entering the gaming room.

Player limits are not new to gambling. They have existed in the United States since the introduction of a compulsory \$200 loss limit per cruise on gaming river boats in Iowa in 1991, and Missouri River Boats have had a compulsory \$500 loss limit per cruise since their inception in 1994.

In the end, Mr. Kirby ultimately reported in his Report to the Victorian Gaming Licence Review Team:

“What has been notable in discussions of measures to enhance responsible gaming and reduce problem gambling has been the support for exploiting the capacity of the monitoring system (as it stands or with enhancements) to develop harm minimization measures. There has been considerable interest in identifying trigger points in player activity in order to interrupt play. This potential, when linked to a universal system for pre-committing expenditure, does seem to be exceptionally worthy of detailed study as it will possibly be more effective than a range of other proposals for enhancing responsible gaming.” (Page 27, paragraph 3).

The Government of Victoria subsequently announced earlier this year that it will be introducing player pre-commitment on all new poker machines across the State of Victoria from 2010.

1.3.2 Ministerial Council On Gambling Pre-Commitment Report:

In 2006 the joint Federal and State Ministerial Council on Gambling released a report titled *“An Analysis of Gambler Pre-Commitment Behavior”* ⁽²⁾

This extensive 400-page report is an insight and analysis of the pre-commitment strategies adopted by gamblers across Australia.

The Report confirms (*Table 115*) that 88 per cent of current recreational poker machine players in Victoria, 84% of South Australian poker machine players, and a similar number of poker machine players across the whole of Australia, believe that the introduction of a *voluntary* pre-set loss limit would have either no negative effect on their enjoyment of gambling, or could indeed make their gambling even more enjoyable.

In the same table, 77 per cent of current Victorian recreational poker machine players believe that the introduction of a *compulsory* pre-set loss limit would have either no negative effect on their enjoyment of gambling, or could indeed make their gambling even more enjoyable. Similar results occur for players in the other states.

1.3.3 South Australian IGA Study

The South Australian Independent Gaming Authority has also recommended the introduction of a player pre-commitment program “for the reduction of problem gambling” ⁽³⁾

The Government of South Australian announced only a few weeks ago that it is establishing a pre-commitment trial in four poker machine venues in South Australia.

1.3.4 The Nova Scotia Pre-Commitment Pilot

The Province of Nova Scotia in Canada recently trailed a voluntary pre-commitment system for poker machines and in September 2005 reported that:

- 80 per cent of players felt the system encouraged them to play more responsibly;
- 75 per cent of players believed it encouraged responsible play in others;
- Over 90 per cent of players said they would recommend the system to other players;
- 87 per cent of players supported a mandatory system for anyone playing machines.
- Over 90 per cent of players said they would acquire a mandatory card.

However Nova Scotia found that 37% of players shared their player pre-commitment cards for periods up to one week. In addition card sharing was correlated to a player's problem gambling index score. In other words, problem gamblers were more likely to share their pre-commitment cards.

In their recent analysis of this player pre-commitment program in Nova Scotia Canada, the Las Vegas Gaming Institute at the University of Nevada noted, "*gamblers 'beat' the responsible gaming system through substantial card sharing*".

They also noted, "*In the future.... biometric devices (that require for instance, a thumbprint to start play) or facial recognition technology could take care of many of these challenges (in that they could eliminate the step where an identification card is needed)*"⁽⁴⁾

1.3.5 Pre-Commitment currently exists in Australian Gambling

Here in Australia, Betfair gamblers have player pre-commitment loss limits, which were introduced by the Government of Tasmania for use by gamblers across Australia, and all bets by individual players are monitored.

Crown Casino has a player pre-commitment program in Melbourne for their poker machine players, and all bets by individual participating players are monitored. However, when a pre-commitment limit is reached the player can still gamble but will not receive any additional loyalty reward points.

Thus the setting of player pre-commitment loss limits and the monitoring of players in a gambling context:

- Is not new
- Is supported by players across the world
- Is supported by poker machine players, and
- Is already mandated by governments across the world, including Australia.

1.4 Player Pre-Commitment Technologies

There are a number of pre-commitment technologies to help players and Governments eliminate problem gambling. They include the use of plastic cards, smartcards and biometric USB keys.

The difficulty with simple magnetic stripe plastic cards is that players, and in particular problem gamblers, can share their cards and PIN numbers without risk. In addition simple magnetic cards can be easily skimmed or copied. These types of cards are often used in gambling loyalty programs.

Crown Casino uses simple magnetic stripe plastic cards for their Crown Club loyalty program. In a recent Court case reported in the Age newspaper on February 14th 2008, a Bendigo Bank supervisor charged with defrauding the Bendigo Bank of more than \$5 million, claims she was "seduced" by Crown Casino's loyalty program and would visit the casino "two or three times a week, spending up to \$20,000 at a time on their \$1 poker machines".

When you join Crown Casino's loyalty system, you are given a free cash voucher to wager on their table games – a less than perfect means of encouraging responsible gambling behaviour.

Smartcards have very limited storage capacity (32 KB) and can also be shared amongst players and problem gamblers. An additional risk with smartcards is that they traditionally contain digital cash, which increases the risks of problem gambling since players lose a sense of reality of the actual money they are losing over time. This is why the Federal Government commissioned 2002 KPMG Report into Problem Gambling attributable to ATMs and EFTPOS machines, recommended smartcards *must be avoided by Australian Governments as a solution to problem gambling* ⁽⁵⁾

The reason for this concern is that giving players digital cash is similar to the effect of providing gamblers and in particular, problem gamblers, with a credit card. Players very quickly lose touch with reality and how quickly they are gambling away their funds. It is far better to ensure players use real cash to gamble on poker machines. This ensures they are constantly reminded of their accumulating losses.

1.5 The Responsible Gaming Networks SAFETY NET[®] System

Responsible Gaming Networks (RGN) has designed and built the SAFETY NET[®] system to overcome all of the preceding inadequacies, using the latest world-class technologies.

SAFETY NET[®] has been designed to eliminate problem gambling and under-age gambling from gambling venues, gambling machines and internet gambling networks.

It is built on the premise that *'problem gambling is characterized by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, and for the community'* ⁽⁶⁾

The SAFETY NET[®] system has three primary components:

1. Player Protection Key[®]
2. Player Pre-Commitment loss limits & gambling duration limits
3. Networked Player Connection to all Machines

1.5.1 Player Protection Key[®]

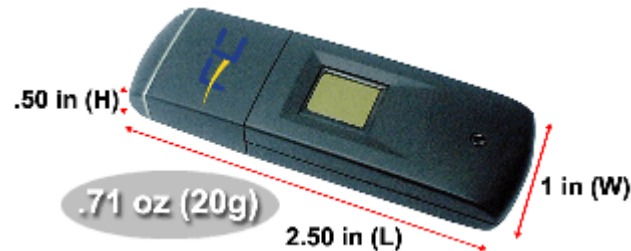
The primary component of the SAFETY NET[®] system is the Player Protection Key[®] which utilizes state-of-the-art technologies, and connects directly into every gambling machine or poker machine network in the world.

Gamblers can establish dollar loss limits and duration of play limits which they believe are reasonable prior to undertaking any gambling activity and these limits are imbedded into their personal Player Protection Key[®]. The Government and/or Government regulator can also establish its own over-riding limits for all players.

At gambling venues, all poker machines are locked, or entry to a venue is restricted until a player inserts a valid Player Protection Key[®] and confirms their identity as the original owner of the Player Protection Key[®]. This eliminates key sharing amongst gamblers, and in particular amongst problem gamblers.

The Player Protection Key[®] is a simple plug-and-play device that connects directly into devices without the need for a special reader, since it is built around the ubiquitous Universal Serial Bus (USB) standard. A Player Protection Key[®] has an extensive lifespan of 10 years.

An example of a Player Protection Key[®] from RGN's wide range is included below:



Each Player Protection Key[®] has the in-built capability to recognize its owner so as to eliminate the possibility of player exchange of a Player Protection Key[®] amongst problem gamblers. It does so using biometric fingerprint recognition hardware and software, rather than Personal Identification Numbers (PIN), which can be shared and exchanged between problem gamblers.



There is no need for central storage of player fingerprints since each Player Protection Key[®] retains the encrypted biometrics of its original owner for later comparison with every subsequent user. Each Player Protection Key[®] will simply not operate unless its original owner is using it. The Player Protection Key[®] therefore is a truly unique key allocated to each unique player.

In May 2006 the Nevada Gaming Commission in Las Vegas released *Mobile Gaming System Policies and Technical standards for gambling using biometric devices* ⁽⁷⁾. Our Player Protection Key[®] exceeds these USA Gaming Commission technical standards.

Each Player Protection Key[®] has an on-board fingerprint scanner and its versatility comes from the fact that it does not require batteries to either operate or retain data in its extensive flash memory.

A Player Protection Key[®] can store up to 32 Gigabytes (32,000,000 kb) of data in flash memory and can store, retrieve and analyze data. It carries its own digital certificates certified by VeriSign to authenticate the networks to which it is connected, and can encrypt all on-board data. If anyone attempts to tamper with the Player Protection Key[®] it simply locks

itself and cannot be read. A backup copy of all gambling data on the Player Protection Key[®] is stored on a central mainframe computer.

Players will be given a Player Protection Key[®] free of charge. To obtain a Player Protection Key[®] they must produce personal identification (drivers licence or passport etc) in order to establish “100 points” of identification. This is equivalent to the standards required by Australian banks to establish a bank account. This ensures that no under-age gamblers gain access to a Player Protection Key[®] or the gambling network.

Overseas and interstate visitors will be provided with a Player Protection Key[®] by paying a fully refundable deposit of \$20.

1.5.2 Player Pre-Commitment Loss and Duration Limits

Each Player is able to register their own maximum gambling loss limits (for a day, week, month or year) and maximum durations of play in their Player Protection Key[®]. A Government and/or Government Regulator also has the capability of registering maximum gambling loss limits and durations of play standards for all players living or playing in its jurisdiction.

Players can continue to use real coins and notes when gambling on poker machines. If any pre-commitment loss or duration limits are exceeded (either the player's or the regulators) then the Player Protection Key[®] will become inoperative and the player will be unable to gamble on any gambling machine or venue in the network for a defined period of exclusion.

Those players consistently exceeding their own pre-commitment limits (or are gambling at levels considered to be exceeding normative limits) can be counselled by professional problem gambling & financial counselors, and if warranted, can be excluded from playing on any network of centrally monitored machines through subsequent Player Protection Key[®] deactivation and lockout.

A player can also establish their own zero dollars and zero time limits at any time thereby creating an ideal *self-exclusion* program that cannot be circumvented across the entire network. Third-party exclusion can also be applied to individual keys.

Players can be regularly provided with reports on their entire gambling activities year-to-date and over regular periods, either on-demand (over the Internet or at a self serve kiosks) or via the mail.

1.5.3 Networked Player Connection to All Machines

Our Player Protection Key[®] will communicate with every poker machine within a defined gaming machine network of a single town/city, state or an entire country.

The Gaming Standards Association (members being all major global poker machine manufacturers) has already adopted the ubiquitous USB connectivity standard for global gaming machines⁽⁸⁾. This is in preference to the multitude of very different and proprietary plastic card and smartcard standards currently existing in the marketplace in other industries. This provides direct USB connectivity into poker machines and for the roll-out of a single national and global standard for all poker machines, without the added expense of additional card readers and the complexity of multiple card standards existing across different venues, states or countries.

RESPONSIBLE GAMING NETWORKS

Responsible Gaming Networks is focused on identifying and eliminating problem gambling from the gambling industry utilizing state-of-the-art biometrics and digital network technologies.

Responsible Gaming Networks has developed its SAFETY NET[®] solution to identify and eliminate underage and problem gambling from terrestrial and digital gambling networks. It brings together USA and European technology companies and global patents pending from Australia.

The Responsible Gaming Networks technology solution can be deployed to domestic and international geographies where governments are under pressure to provide public policy solutions to rising public concerns on the social and economic costs of problem gambling.

Responsible Gaming Networks' solution SAFETY NET[®] can also be applied to on-line gaming applications as it guarantees the age and identity of players for gaming service providers, responsible governments and financial institutions. Simultaneously it ensures social and financial harm minimization for all gamblers.

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