

Executive Summary

This inquiry into the design and implementation of a mandatory pre-commitment system arose in recognition of the significant harms caused to individuals, families and the wider community through problem gambling associated with high intensity Electronic Gaming Machines (EGMs). Individuals who experienced the harms of poker machine gambling shared their stories of personal devastation and provided their insights. Their voices are rarely heard. These stories and their advice on design features are outlined in chapter two. EGM addiction has resulted in children going hungry, family breakdowns, homes and businesses lost, relationships damaged and, most tragically, suicide. Our duty of care starts well before an individual hits rock bottom financially and emotionally.

Mandatory pre-commitment—requiring players to pre-set limits before they play—will reduce the harms of problem gambling by encouraging all players to make rational and conscious decisions about their gambling. It will intervene to stop individuals and their families from reaching desperate circumstances. Pre-commitment is a management tool for all. For those not at risk it will assist them make sensible choices while not diminishing their enjoyment. As outlined in chapter four, which explains the need for a broad population based approach, pre-commitment will hinder the progression of EGM players from no risk to at risk. For those at risk or with a gambling problem, pre-commitment is a tool for long-term change and learning new, healthier gambling behaviours.

EGMs of today are not the 'one armed bandits' of yesteryear. Their design and features have changed significantly. EGMs are now predominantly high intensity, high risk machines. This means players can and do lose a lot of money in a short space of time—well over \$1,000 per hour in some cases.¹ They are no longer a harmless recreation.

Due to the intensity and ready availability of EGMs, poker machine gambling is considered the riskiest form of gambling. EGMs display conditioning features designed to attract people to play continuously, leading in some cases, to addiction. This is explained in detail in chapter three. The committee agrees that the modern design features of high intensity machines make them unsafe and safeguards should be put in place to protect players. Along with mandatory pre-commitment on high intensity machines, the committee believes low intensity machines that feature a number of intensity limiting parameters,² should be made available. While recognising that no EGM is entirely safe, the committee believes that increasing the availability of low intensity machines, either on their own or in combination with high intensity machines with mandatory pre-commitment, would provide greater choice for

1 Productivity Commission found that it was easy for players to lose \$1,500 or more an hour. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.

2 Configured to limit average losses to around \$120 per hour.

those players seeking a lower risk, more recreational activity and greater choice for venues. Such low intensity machines would operate outside the mandatory pre-commitment system. This is further described in chapters three, eight and nine.

Academic experts, former problem gamblers and social service agencies all agreed, and trials of voluntary pre-commitment show, that in order to be effective pre-commitment must be mandatory. If a person can opt out once they reach their limit by playing on another machine it will be of little benefit. The key design features that the committee recommends in chapter six are as follows:

- introduction by the earliest possible date—2014;
- a requirement for all players to set their maximum loss before they start gambling;
- lock out when limits are reached;
- cooling-off periods for limit increases;
- safeguards to prevent gamblers machine and venue hopping; and
- an effective self-exclusion function.

The committee does not prescribe a specific technical solution. However, it explicitly rejects biometrics for identity purposes. Technology options that could facilitate mandatory pre-commitment are outlined in chapter seven. Witnesses advised that implementation can be achieved in the timeframe required.

The committee recognises the different technical environments across jurisdictions cause the industry significant extra costs. Noting this is a longer term issue, the committee recommends a phased approach working towards the adoption of common national technical standards over time. In the first phase, implementation of mandatory pre-commitment by 2014 is jurisdiction based but with national oversight. In the second phase, jurisdictions move towards harmonisation of technical standards. Full implementation of uniform national technical standards that will also include consumer safety and harm minimisation principles is the final phase. This staged approach allows for early action to address problem gambling, while facilitating the longer-term goals of adopting national technical standards and addressing technical challenges. While the cost of implementing mandatory pre-commitment is yet to be determined, the top of the credible cost range is much less than the amount of money lost by problem gamblers in a single year.

The committee agreed a national independent regulatory body to oversee pre-commitment arrangements, develop new national standards which include the required pre-commitment features and other consumer protection measures, is needed. While having national oversight, the body should incorporate a jurisdictionally-focused inspection and monitoring regime. More details on this are provided in chapter six.

The committee is mindful of industry concerns, and acknowledges the harm minimisation measures already in place. While not denying the community contributions made, many larger venues increasingly resemble mini casinos and big

businesses. They bear little resemblance to the smaller, mostly regional and rural, community venues and it is disingenuous to claim otherwise. The committee makes a number of recommendations which address industry concerns in chapter nine.

The committee believes that low intensity machines, subject to certain parameters, be introduced. Venues not wishing to be included in the mandatory pre-commitment scheme which will apply to high intensity machines have the option of choosing to run low intensity machines. The advantages for venues include that machines modified to low intensity play can be drawn from the current fleet; venues have a choice of what machines to operate; and venues operating both high and low intensity machines give players greater choice.

The committee does not want the introduction of mandatory pre-commitment to disadvantage smaller venues—venues operating 15 machines or less—largely in regional and rural areas, or see important services and facilities being removed from these communities. To this end it believes such venues require special consideration and assistance with the implementation timeframe and costs. The committee agrees with the Productivity Commission that a longer timeframe to implement mandatory pre-commitment for these venues is needed. However, as the Commission's anticipated commencement date has now slipped the committee recommends that smaller venues now be given until 2018 to establish the scheme. Mindful of the specific needs of small venues, they will be allowed four years more than large venues to implement these reforms. To assist with implementation or other costs or revenue shortfalls the committee proposes a transitional assistance fund to which smaller venues could apply. These issues, the use of low intensity machines and the circumstances facing casinos with accommodating foreign tourists are discussed in chapter nine.

These reforms are about reducing the harm to individuals, families and the wider community from poker machines. Inevitably, they target the revenue streams from problem gamblers. Venues have stated that they do not wish to receive a single dollar from problem gamblers. Any venue which can't sustain a drop in revenue from problem gamblers has a business model that is fundamentally flawed, unsound, and unethical. Venues which claim they have few or no problem gamblers will see little drop in revenue, as recreational gamblers can either join this simple to use pre-commitment scheme or opt to play on low intensity machines.

As well as making recommendations on the design of a mandatory pre-commitment scheme, the committee has taken the opportunity to make recommendations on other issues raised in relation to EGMs and wider issues where relevant throughout the report.

