



**ARISTOCRAT TECHNOLOGIES AUSTRALIA
PTY LIMITED**

**SUBMISSION TO THE INDEPENDENT PRICING AND
REGULATORY TRIBUNAL**

**REVIEW OF GAMBLING HARM
MINIMISATION MEASURES:**

**PRE-COMMITMENT OR SMART CARDS
THAT ENABLE LIMITS TO BE SET**

1. Executive Summary

Aristocrat Technologies Australia Pty Limited (“Aristocrat”) respectfully submits to IPART that:

- pre-commitment is more than merely a promising option to offer to all NSW players from a responsible gambling perspective; *encouraging* venues to offer players the technical opportunity to pre-commit and *encouraging* players to use the technical options made available to them may well prove to be one of the most effective technical responsible gaming initiatives available to policy makers and should therefore be endorsed and encouraged;
- the present NSW player card regime is simply not effective in terms of encouraging either venue investment in systems which offer players pre-commitment options or encouraging player use of cards with pre-commitment options or encouraging use of those options by players;
- the Victorian model is an excellent model to consider in terms of the basic concept of encouraging venues to offer pre-commitment and encouraging players to *voluntarily* sign up for loyalty programs which permit them to *voluntarily* avail themselves of pre-commitment options; however, that model should, it is suggested, be improved for adoption in NSW;
- the relaxation of other restrictions to encourage players to voluntarily sign up for loyalty programs and to voluntarily avail themselves of pre-commitment options (and to encourage operators to offer the programs) is essential if pre-commitment is to be widely offered to players in NSW; the relaxation of those restrictions must involve, to a limited extent, encouraging players to gamble but that relaxation and the associated ‘encouragement’ is outweighed by the benefits associated with the offering of pre-commitment options;
- the compulsive element associated with provision of Victorian player activity statements is considered counterproductive and is therefore not recommended;
- education and treatment strategies incorporating the pre-commitment technology are critical requirements if pre-commitment is to achieve its optimal potential in terms of assisting problem gamblers and at risk players. Virtually no research has been carried out in this respect. Aristocrat would be pleased to work with researchers and the Government in this area.

2. Introduction

Aristocrat welcomes the opportunity to make this submission to IPART in relation to *“pre-commitment” or “smart” cards that enable financial limits to be set* (the “harm minimisation” measure described under “Liquidity Controls” in Table 1 of the Issues Paper).

Card-based gaming (a term which is preferred to ‘cashless’ as most card-based gaming is not completely cashless) permits players to set limits on the amount of time and money they wish to spend in a gaming venue.

Card-based gaming does not necessarily require the use of smart cards. Indeed, magnetic stripe cards can perform most of the functions at approximately a tenth of the cost of smart cards albeit with a smaller memory.

Card-based gaming systems provide players with a centralized host account which can be accessed from the gaming machine through insertion of a plastic card with a machine readable secure ID number.

The secure ID number accesses the appropriate account and the system then downloads the account balance to the machine's credit meter as an on-line transaction.

The machine is played in the same way that any machine is played today.

Once play is complete and the player chooses to cancel his/her credits, the system transfers all remaining credits back to the central account.

Card-based gaming was introduced in Victoria in 1992 and is permitted in NSW by Part 6 of the Gaming Machine Regulations but has not proved popular because of the restrictions set out in the Regulations.

Unlike Victoria, there is presently no incentive for gaming venues to offer card based systems (or the associated pre-commitment facility).

Aristocrat respectfully recommends that IPART consider endorsing:

- the use of pre-commitment facilities in NSW for the reasons outlined below.
- the wider deployment of card based gaming (as this is the only way in which pre-commitment arrangements can be offered to players in NSW).
- a card-based gaming regime that does not involve cards being mandated in NSW (as this will not encourage use of the cards by at risk

players or problem gamblers and would be likely to have a significant negative impact on the NSW gaming industry).

- the amendment of the present restrictions on the use of cards in Part 6 of the Gaming Machine Regulations in the manner outlined below to encourage the acceptance and use of pre-commitment.
- development of a sophisticated education program for counselors and treatment providers to permit pre-commitment to be properly incorporated in a state-wide treatment and education program.

3. Aristocrat Technologies Australia

Aristocrat is the leading supplier of gaming machines, games, gaming systems and subsidiary equipment to the gaming venues of New South Wales.

Aristocrat is a Sydney based publicly listed company which manufactures hardware and develops software at its Rosebery facilities for export around the World.

Aristocrat is the largest supplier of gaming systems in the World and offers a variety of technologies to gaming venues in this regard.

4. The Productivity Commission

In 1999, the Productivity Commission¹ noted that:

“people use pre-commitment strategies when they believe that they will make future impulsive decisions, which are not in their best interests. The essential ingredient of a genuine pre-commitment is that a decision once made acts like a contract and cannot be reversed. There are a number of possible pre-commitment strategies that might work for problem gamblers.”

Firstly, the Commission said, because financial issues are important, it may be possible for problem gamblers to voluntarily pre-commit earnings to essential expenditures.

Aristocrat does not propose to comment on this suggestion.

Secondly, the Commission said, the *“there may be scope for pre-commitment on aspects of gambling, including spending, information and playing style. Interestingly, one form of gambling already incorporates a host of measures which allow pre-commitment and informed consent – the internet. One of the large potential advantages of internet based gambling is that it can provide relevant and player-initiated controls. Gamblers can set budget limits, self-*

¹ Productivity Commission Report, 1999, page 16.71

exclude and look at their past history of gambling winnings and losses by episode...As a matter of consistency it would seem desirable for other forms of gambling to match the internet in these aspects of player sovereignty. The question arises of whether this is technically feasible.”²

The answer, in terms of gaming machines, is that it is certainly *technically feasible* to offer pre-commitment but other considerations are far more important if pre-commitment is to be made available to players in NSW in the near future.

5. What Evidence is there that Pre-Commitment will Help?

There has been very little research into pre-commitment using cards of any sort and, for this reason, virtually all comments in relation to the value of pre-commitment must be regarded as speculative.

However, Aristocrat believes that offering a pre-commitment facility to problem gamblers – if carried out in the appropriate manner and without duress – could prove to be a very valuable “harm reduction” tool for both problem gamblers and treatment providers.

There are at least four reasons for this:

(i) Harm Reduction Strategy

It seems likely that pre-commitment arrangements could play a valuable role in a harm reduction regime by assisting both treatment providers and problem gamblers to set meaningful goals and adhere to them.

The reason for this view is that there is evidence that, in a substance addiction context, it is increasingly being recognised that “many drug users are capable of making positive changes on their own, including giving up drugs altogether, without the assistance of formal treatment – despite the “myth” held by many critics of harm reduction that addicts are incapable of changing their behaviour without coerced treatment or incarceration.”³

Allan Marlatt suggests that “progress can be made in harm reduction by offering users a wide variety of choices for any positive change, instead of just a single option”⁴.

² Productivity Commission Report, 1999, page 16.72

³ Dan Bigg, Chicago Recovery Alliance. quoted by G. Alan Marlatt in “Harm Reduction: Pragmatic Strategies for Managing High Risk Behaviors”, Guilford Press, 1998, page 14

⁴ G. Alan Marlatt in “Harm Reduction: Pragmatic Strategies for Managing High Risk Behaviors”, Guilford Press, 1998, page 15

The harm reduction approach in drug treatment has been described as a “gradual “step down” approach” which “encourages individuals with excessive or high risk behaviors to take it one step at a time to reduce the harmful consequences of their behavior”⁵.

Harm reduction has been described as a ‘low threshold approach’:

“...supporters of a low threshold approach are willing to meet the individual on his or her own terms - to “meet you where you are” rather than “where you should be. Input from members of the targeted population is encouraged and promoted, in an attempt to forge a partnership or alliance between those providing services and those receiving them...New programs are developed in collaboration with those directly involved and affected. Through dialogue, discussion and mutual planning efforts (e.g. use of focus groups to initial input and goal setting), innovative outreach programs and associated services will continue to emerge at the community level. Throughout the negotiation process, those affected are accepted as partners who are capable of assuming responsibility for making personal changes in their behavior and helping others to do the same.”⁶

(ii) It is not just problem gamblers and at risk gamblers who should be provided with the opportunity to pre-commit

It has been suggested that the beliefs and expectations of many players regarding the outcome of their gaming leads them to hold beliefs which are incorrect although not necessarily irrational:

“The human mind is not very good at dealing with randomness. Our minds are designed to find order, not to appreciate chaos. Ever notice how easy it is to find faces in clouds? We are wired to look for patterns and find connections, and when we find patterns we interpret them as real. Consequently, many people will see patterns in random numbers. When people see patterns in randomness (e.g., repeated numbers, apparent sequences or winning streaks) they may believe that the numbers aren’t truly random, and therefore, can be predicted.

Many gamblers have experienced a wave-like roller coaster effect of wins and losses and may believe that you just have to ride out the down slope of the wave to follow the wave back up. Much of this learning process takes place unconsciously. The problem is that betting based on these patterns sometimes appears to work in the short term, reinforcing the belief. But it will not work in the

⁵ G. Alan Marlatt in “Harm Reduction: Pragmatic Strategies for Managing High Risk Behaviors”, Guilford Press, 1998, page 51

⁶ G. Alan Marlatt in “Harm Reduction: Pragmatic Strategies for Managing High Risk Behaviors”, Guilford Press, 1998, page 54

long term; these patterns are flukes. Suppose you start playing roulette and you have a lucky winning streak by alternating your bets between red and black, it will actually take quite a while before you realise that the betting strategy is not working. Your initial wins may keep you on the plus side for quite a while because randomness doesn't correct for winning streaks either.

The same is true for superstitious beliefs. Because we don't understand randomness we interpret coincidences as meaningful, and consciously or unconsciously we learn associations that are merely due to chance. Implicit learning is the driving force behind both betting systems and superstitious playing strategies. Furthermore, our memory of an event is not just about what happened but about the emotional experience of what happened. An important area for future research is the interplay between emotion, experience and belief.”⁷

Such players should arguably be educated regarding these incorrect beliefs about the future performance of the machines they are playing and provided with a tool to use to overcome their difficulties.

Education can be achieved through Player Information Displays, Session Information and Brochures.

Use of a card offering pre-commitment options arguably would provide them with a tool to use to implement what they learn from Player Information Displays, Session Information and Brochures.

(iii) *Chasing Losses*

It appears that players – and, in particular, problem gamblers from time to time exhibit a behaviour known as “chasing losses”. An interesting recent Canadian survey outcome⁸ suggests that this behaviour may be more prevalent than currently thought among all players:

“In response to the question, “When you gamble, how often do you go back another day to win back money that you lost?”, 40.9% of the participants reported ‘chasing losses’ on at least some occasions. In response to the question, “If you tossed a normal coin and it came up ‘heads’ 5 times in a row, what would be the most likely result of the next toss?” Thirteen per cent of the participants exhibited the gambler’s fallacy, by choosing either ‘heads’ or ‘tails’, not ‘equally likely.’

⁷ Nigel Turner, “Randomness does it Matter?”, EGambling (Centre for Addiction and Mental Health), Issue 2, August 2000.

⁸ John Jamieson, Chris Musquaash, Dwight Mazmanian, “Why do gamblers overreport wins? An examination of the social factors”, EGambling (Centre for Addiction and Mental Health), Issue 9, October, 2003.

When asked, "How many gamblers lose more than they win?", 98.3% answered 'most' or 'all.' But when asked the question, "Overall, how does the money you have won compare to the amount you have lost (or spent) gambling?", only 46.6% of participants reported losing more than they won, 11.3% answered 'same' and 41.7% answered that they had won more. While they acknowledge that most gamblers lose, the majority of gamblers completing this questionnaire said they were not among these losers. Those who reported losing more also reported significantly more gambling problems, $r(112) = .249$, $p < .001$, and were more likely to chase losses, $r(111) = .341$, $p < .001$."

Pre-commitment would permit players to acknowledge a proclivity to chase losses and to guard against it in a fundamental and effective manner.

(iv) Impaired Self Control

It has been suggested that the longer that one spends gambling and the more money that is spent on gambling, the greater the likelihood of loss chasing and impaired control⁹.

Impaired control relates to the extent to which a person is able to resist opportunities to begin a behaviour and/or to exercise restraint if engaged in the behaviour.

Although there has been little research into the question of whether setting limits through pre-commitment options could assist those with impaired self-control, it does not seem to be too far fetched to suggest that it could be very helpful particularly if integrated with effective 'harm reduction' based counseling and treatment.

6. Forcing the Use of Cards

Although making pre-commitment available to players is clearly an important element of any responsible gambling strategy, Aristocrat believes that any attempt to *force* NSW players to adopt pre-commitment through mandatory cards is likely to fail for four reasons:

- (a) any attempt to force *self-identification* on players will be received negatively as Australians do not like to have such measures forced upon them - the 'Australia Card' concept is the best indication of this; recreational players may prefer other activities if they are forced to 'sign up' to play gaming machines solely because of the additional effort involved; even if players do sign up (i.e. self-identify), it seems likely that

⁹ John O'Connor, Mark Dickerson and Mike Phillips, "Impaired Control over Gambling: A Generic Process Across Gambling Formats and Gender", National Association for Gambling Studies Journal, 1999, page 357; Dickerson, M, Hinchy, J, Cunningham, R and Legg England, S, "On the determinants of persistent gambling behaviour III", International Journal of Addictions

- they will resist the pre-commitment options because they are associated with the 'forced' self-identification;
- (b) many problem gamblers, in particular, may well react negatively to such a measure as they generally seek to avoid recognition; when they do, they may drift into other forms of gambling where self-identification is not necessary (wagering, internet, lottery etc);
 - (c) venues are very aware of the likely reaction of their clientele to any such measure and will react to the measure by reducing their investment in gaming in a consistent manner with their expectations of customers;
 - (d) the cost to venues of implementing an across the board mandatory card based gaming system will put many out of business.

7. Voluntary Pre-commitment

Aristocrat believes that *encouraging* players to avail themselves of pre-commitment strategies voluntarily represents an entirely different and promising policy approach.

Aristocrat notes that Victoria adopted this strategy in 2002 when Section 82A and 82B of the Gaming Machine Control Act, 1991 (Vic) were introduced.

These provisions utilise loyalty systems to encourage both players and venues to adopt pre-commitment without forcing either to do so.

The underlying rationale appears to be that players who *voluntarily* sign up for loyalty systems may be more inclined to *voluntarily* utilise the pre-commitment options offered as part of the scheme (which are set out in Section 82A) and to accept the mandatory provision of player activity statements as part of the 'price' of voluntarily signing up for the loyalty system.

Aristocrat recommends consideration of a variation of the Victorian voluntary pre-commitment model in NSW.

The relevant Victorian statutory provisions are as follows:

82A. Loyalty schemes

(1) A loyalty scheme provider must not allow a person to participate in a loyalty scheme unless--(a) the provider has given the person a written statement—

- (i) informing the person of his or her rights under sub-section (2); and
- (ii) containing the prescribed information; and

(b) the person has agreed to receive player activity statements relating to the playing of games under the scheme. Penalty: 20 penalty units.

(2) A participant in a loyalty scheme may at any time, by notifying the loyalty scheme provider, set--

(a) a limit on the amount of time, in any 24 hour period determined by the provider, that the participant may play games under the scheme;

(b) a limit on the participant's net loss on games played under the scheme in any 24 hour period determined by the provider;

(c) if the participant has set a limit under paragraph (b), a limit on the participant's net loss on games played under the scheme in any year determined by the provider.

(3) If the participant has previously set a limit under sub-section (2), any new limit set by the participant that increases the amount of time or net loss does not take effect until the time determined by the loyalty scheme provider, which must be at least 24 hours after the participant has notified the loyalty scheme provider of the new limit.

(4) A loyalty scheme provider must not allow a participant to continue playing games under the scheme after a limit set by the participant under sub-section (2) has been reached. Penalty: 20 penalty units.

(5) A loyalty scheme provider must not knowingly allow an excluded person to participate in the scheme at a casino. Penalty: 20 penalty units

(6) A loyalty scheme provider must not knowingly allow a person who has excluded themselves from an approved venue to participate in the scheme at that approved venue. Penalty: 20 penalty units.

(7) A loyalty scheme provider who conducts a loyalty scheme at a casino must remove a participant from the scheme if the participant becomes an excluded person. Penalty: 20 penalty units.

(8) In this section--

"excluded person" means a person who is the subject of an exclusion order or interstate exclusion order (within the meaning of the **Casino Control Act 1991**).

Aristocrat notes that the player activity statements may be a useful adjunct to pre-commitment but believes, with all due respect to the Victorian Government, that *mandating* receipt of such statements is likely to undermine the advantages associated with the voluntary aspect of signing up for the loyalty program and being encouraged to utilise the pre-commitment facilities.

Aristocrat recommends that consideration be given to adopting the Victorian model of *voluntary* card-based player loyalty schemes with *voluntary* pre-commitment but *without* the mandatory player activity statements required by Section 82B or the mandatory suspension of visitation rights mandated by Section 82C.

These are regarded as more likely than not to be counterproductive in terms of encouraging players to avail themselves of pre-commitment options.

The Victorian provisions (provided for completeness but not recommended) are as follows:

82B. *Player activity statements*

(1) At least once each year, a loyalty scheme provider must provide each participant in the scheme with a player activity statement containing the prescribed information—

- (a) by sending the statement to the participant by post, fax, e-mail or other electronic communication; or
- (b) by making the statement available for collection by the participant--
 - (i) if the provider is a venue operator--at the approved venue; or
 - (ii) if the provider is a casino operator--at the casino; or
 - (iii) in any other case--at an approved venue nominated by the participant--

at the election of the participant. Penalty: 20 penalty units

(2) If the participant has elected to collect his or her player activity statement from an approved venue or casino, the loyalty scheme provider must, within 7 days after the statement is prepared, send the participant, by post, fax, e-mail or other electronic communication, notice that the statement is available for collection. Penalty: 20 penalty units.

(3) A notice under sub-section (2) must advise the participant of the provisions of section 82C.

(4) If a participant requests an additional copy of his or her player activity statement, the loyalty scheme provider must provide it to the participant on payment of the fee (if any), not exceeding \$20, determined by the provider. Penalty: 20 penalty units

82C. *Suspension of person who fails to collect their player activity statement*

(1) This section applies to a participant in a loyalty scheme who has elected to collect his or her player activity statements from an approved venue or casino.

(2) If a participant does not collect his or her player activity statement within one month after the day on which notice of the availability of the statement is sent to the participant under section 82B(2), the loyalty scheme provider must suspend the participant from the scheme until--

- (a) the participant collects the statement; or
- (b) the participant is removed from the scheme under sub-section (3)--

whichever is sooner. Penalty: 20 penalty units.

(3) If a participant does not collect his or her player activity statement within 3 months after the day on which notice of the availability of the statement is sent to the participant under section 82B(2), the loyalty scheme provider must remove the participant from the scheme. Penalty: 20 penalty units.

(4) A loyalty scheme provider must send written notice, by post, fax, e-mail or other electronic communication, to a participant who is suspended or removed from a loyalty scheme under this section. Penalty: 20 penalty units.

How are players and venues encouraged to install such card-only machines in Victoria?

Section 77B(4) and Section 77C(2)¹⁰ prescribe that two of the new limits applicable from 1 January 2008 to Victorian gaming machines (restricting the banknotes that can be used in gaming machines to \$50 denomination notes and restricting minimum reel spin speed to 2.14 seconds) do not apply to card based gaming machines located in an area specified by the Minister.

The Relevant Ministerial Direction (Annexure A) prescribes (paragraph (g)) that the number of card based only machines offered by each Victorian operator on the basis of these provisions must be limited to 1,000 and to less than 20% of the machines in any one venue (as well as complying with a number of other requirements).

The Ministerial Direction also (paragraph (d)) provides that the \$10 Maximum Bet limit does not apply to these machines.

The position in Victoria is very different to NSW in terms of encouraging venues to install player loyalty systems which offer pre-commitment because there are only three operators to deal with.

¹⁰ **77B. *Banning large denomination note acceptors and autoplay facilities***

(1) A gaming operator must not allow a game to be played on a gaming machine that accepts banknotes with a denomination greater than \$50. Penalty: 20 penalty units.

(2) A gaming operator must not allow a game to be played on a gaming machine unless each spin can be initiated only by a distinct and separate activation of the machine by the player (whether by pushing a play button, touching the screen or otherwise). Penalty: 20 penalty units.

(3) Sub-sections (1) and (2) do not apply, before 1 January 2008, to a game that was approved by the Authority before 1 January 2003.

(4) Sub-sections (1) and (2) do not apply to a game played on a gaming machine located in an area specified by notice of the Authority published in the Government Gazette if the gaming operator complies with the conditions, if any, specified in the notice. ***S. 77C inserted by No. 38/2002 s. 38.***

77C. *Spin rates*

(1) A gaming operator must not allow a game to be played on a gaming machine if the spin rate of the game is less than 2.14 seconds. Penalty: 20 penalty units.

(2) Sub-section (1) does not apply to a game played on a gaming machine located in an area specified by notice of the Authority published in the Government Gazette if the gaming operator complies with the conditions, if any, specified in the notice.

In New South Wales, there are 1,828 individual hotels and 1,388 individual clubs¹¹ who need to be convinced that it is in their interests to offer players a loyalty system which offers pre-commitment.

Would the same 'relaxation' of restrictions that was employed in Victoria result in the widespread deployment of pre-commitment options throughout NSW?

Aristocrat believes not.

Aristocrat respectfully suggests that if it is accepted that pre-commitment is an option that *should* be offered to NSW players, the key issue for NSW is the question of *how to make pre-commitment an attractive option for both venues and their customers*.

One of the key issues is the question of *why players join loyalty schemes*.

The answer, of course, is an incentive of some sort.

At present, these incentives that can be offered in NSW are severely restricted by Section 45 of the Gaming Machines Act (i.e. no cash prizes and promotional prizes limited to \$1,000).

These restrictions were imposed on the basis that they were thought to comprise 'inducements to gamble'.

Aristocrat recommends that these Section 45 prohibitions be reconsidered on the basis that it is in the interests of players and problem gamblers to encourage the availability of player loyalty systems offering pre-commitment and the offering of cash prizes and prizes beyond \$1,000 (particularly cars) is, to the extent that an inducement is involved, a reasonable 'price' to pay for encouraging venues to install the necessary systems.

Aristocrat submits that:

- the restrictions in Section 45, in particular, effectively mean that it will not be possible to offer a pre-commitment option widely in NSW
- the restrictions in Section 45 were (and remain) arbitrary and speculative, were not based on academic research and did not constitute 'evidence based' policy;
- there is simply no evidence that problem gamblers are influenced by loyalty programs to any material extent.

¹¹ LAB 2002 Annual Report, page 18: there are some affiliations and grouping but essentially the decision making as to whether to install a loyalty system is a matter for the individual hotel or club.

Aristocrat suggests that revisiting Section 45 alone will not be sufficient to encourage the widespread adoption of card based systems offering a pre-commitment option.

Aristocrat suggests that it will be necessary to add a further incentive to venues to install such systems.

Aristocrat accordingly recommends consideration of two additional changes in this regard.

The first change recommended involves setting a higher maximum jackpot for games played using pre-commitment cards.

Aristocrat notes that the current \$10,000 jackpot limit was set *sixteen years ago* and has depreciated in value by approximately 43% over that period.

The equivalent sum (in today's money) to \$10,000 sixteen years ago would be \$17,000.

Aristocrat recommends consideration of increasing this maximum win limit – for card based gaming – to \$20,000.

Because of the depreciation in the real value of \$10,000 sixteen years ago, the proposed increase in the jackpot limit to \$20,000 arguably only means increasing the limit by \$3,000 – hardly a major concession.

Aristocrat suggests that four further policy changes are required to encourage players to use the pre-commitment option in cards.

The first is that cards should be made available from 'dumb' terminals which accept cash and provide the player with a card¹². Such terminals should ask the player, when inserting cash to obtain a card, whether the player wishes to set a limit, whether in respect of time or money; if the player selects 'yes', the screen instructions might appear as follows.

- Set amount of time you wish to play for; insert period: ____ hours and/or ____ minutes or
- Set amount you wish to limit yourself to for the next ____ hours: \$_____.

The second policy change recommended is increasing the current limit on the amount of money that can be stored on cards from \$200 to \$500.

¹² These terminals will also collect the cards and pay the cash on the card out to players. In order to permit the terminals to recover all cards (including those with a zero balance) for re-use, it is suggested that the return of cards should generate a ticket providing a player with a ticket or receipt which goes in a draw for a small prize each week. It is suggested that this should be specifically provided for in the regulations.

The currently \$200 limit is simply inadequate: it is one of the principal reasons why card based playing is not popular with either venues or players in NSW.

Thirdly, Aristocrat recommends that players should be encouraged to set limits through offering the player a small incentive to do so.

It is recommended that the incentive another small concession – the opportunity to bet up to \$20 on each bet (i.e. more than the current \$10 max bet¹³) *if a limit is selected*.

Aristocrat recommends that no specific limits are recommended to players on the basis that, as players become used to selecting the option, they will gradually start making effective use of it.

Fourthly, Aristocrat also recommends that – for pre-commitment to be widely used – ‘anonymous’ cards must be made available to players (but on the basis that a small incentive is provided to players to sign up (i.e. provide identification) for cards voluntarily) and player activity statements should become a *voluntary* option for players using cards.

It is suggested that the most effective way to do this would be to increase the proposed base \$500 limit on cards to \$5,000 if the player elects to voluntarily sign up for the loyalty system, providing identification.

In summary, Aristocrat’s view is that the most effective ‘incentives’ to attract venues to voluntarily install the necessary infrastructure and players to use the cards and pre-commitment options are:

- to increase the jackpot limit for card-based machines from \$10,000 to \$20,000 and
- to amend Section 45 to reintroduce cash prizes and remove the \$1,000 limit on prizes
- to increase the \$10 maximum bet to \$20 if a limit is set; and
- to adopt a voluntary pre-commitment regime similar to Victoria (but without the compulsive element of mandatory player activity statements) and with the following additional incentives:
 - (a) cards may be issued *without documentary proof of identity*;
 - (b) the amount of money that can be stored on a card issued without documentary proof of identity is limited to \$500 and, with proof of identity, \$5,000;
 - (c) player activity statements are a voluntary option.

¹³ Increasing the maximum bet to \$20 is again not considered a particularly significant concession because the current \$10 Maximum Bet Limit was set over 14 years ago – in January 1989 – and the value has accordingly already depreciated by over 34% during that period.

Aristocrat recommends such a voluntary pre-commitment regime to IPART on the basis that such a regime is much more likely to give rise to the widespread use of pre-commitment limits in NSW than the current regime.

8. Clause 88 Gaming Machines Regulations: Limit Setting

The current NSW pre-commitment regime is set out in Clause 88 of the Gaming Machines Regulations which provides that players who open player accounts may set *weekly* account limits.

Aristocrat suggests, with respect, that this is inadequate.

Players should be offered a simple user friendly *immediate* pre-commitment option through a terminal which issues the cards to them.

The options should be simple. Aristocrat recommends:

- Set amount of time you wish to play for; insert period: ____ hours and/or ____ minutes or
- Set amount you wish to limit yourself to for the next ____ hours: \$ ____.

Such a regime covers both weekly limits and hourly limits – at the player's discretion.

9. Education and Treatment

Aristocrat respectfully suggests that a pre-commitment regime of the nature outlined above will only be optimized, in terms of its potential to reduce problem gambling, if the associated education, counseling and treatment modalities are adjusted to incorporate use of the technology by problem gamblers and 'at risk' players.

As far as Aristocrat is aware, there has been little or no research into how technical pre-commitment options offered by the regime recommended above could be incorporated in specific clinical treatment programs.

Aristocrat believes that pre-commitment could be a particularly useful tool if integrated in social skills training, relapse prevention and covert sensitization strategies.

However, development of these strategies incorporating pre-commitment technology requires further research and the development of competency standards for treatment providers based on that research.

10. Conclusion

Aristocrat respectfully requests, for the reasons outlined above, that IPART recommend to the Minister that:

- pre-commitment is more than merely a promising option to offer to all NSW players from a responsible gambling perspective; *encouraging* venues to offer players the technical opportunity to pre-commit and *encouraging* players to use the technical options made available to them may well prove to be one of the most effective technical responsible gaming initiatives available to policy makers and should therefore be endorsed and encouraged;
- the present NSW player card regime is simply not effective in terms of encouraging either venue investment in systems which offer players pre-commitment options or encouraging player use of cards with pre-commitment options or encouraging use of those options by players;
- the Victorian model is an excellent model to consider in terms of the basic concept of encouraging venues to offer pre-commitment and encouraging players to *voluntarily* sign up for loyalty programs which permit them to *voluntarily* avail themselves of pre-commitment options; however, that model should, it is suggested, be improved for adoption in NSW;
- the relaxation of other restrictions to encourage players to voluntarily sign up for loyalty programs and to voluntarily avail themselves of pre-commitment options (and to encourage operators to offer the programs) is essential if pre-commitment is to be widely offered to players in NSW; the relaxation of those restrictions must involve, to a limited extent, encouraging players to gamble but that relaxation and the associated 'encouragement' is outweighed by the benefits associated with the offering of pre-commitment options;
- the compulsive element associated with provision of Victorian player activity statements is considered counterproductive and is therefore not recommended;
- education and treatment strategies incorporating the pre-commitment technology are critical requirements if pre-commitment is to achieve its optimal potential in terms of assisting problem gamblers and at risk players. Virtually no research has been carried out in this respect. Aristocrat would be pleased to work with researchers and the Government in this area.

Annexure A

Victoria Government Gazette

No. S 168 Thursday 19 September 2002

Gaming Machine Control Act 1991

MINISTERIAL DIRECTION

I, John Pandazopoulos, MP, Minister for Gaming, under section 12(1) of the **Gaming Machine Control Act 1991** (the Act), revoke all previous directions to the Victorian Casino and Gaming Authority and, in substitution, direct the Victorian Casino and Gaming Authority:

(a) that, under section 12(1)(a), the maximum number of gaming machines permitted in the State to be available for gaming in all approved venues under the Act, other than the Melbourne Casino, is 27,500; and

(b) that, under section 12(1)(aa), in respect of the 27,500 gaming machines permitted to be available for gaming in all approved venues under the Act, other than the Melbourne Casino, the maximum permissible number of gaming machines to be placed in any approved venue in the State is 105; and

(c) that, under section 12(1)(b), in respect of the 27,500 gaming machines permitted to be available for gaming in all approved venues under the Act, other than the Melbourne Casino, the proportion of gaming machines to be located outside the Melbourne Statistical Division is not less than 20 per cent; and

(d) that, under section 12(1)(c), in respect of the 27,500 gaming machines permitted to be available for gaming in all approved venues under the Act, other than the Melbourne Casino:

(i) prior to 1 January 2008, a bet limit of \$10 will apply to gaming machine games approved on or after 1 January 2003 (unless the games are being played on a gaming machine located in an area specified by notice under section 77B(4) or 77C(2) of the Act); and

(ii) on or after 1 January 2008, a bet limit of \$10 will apply to all gaming machine games (unless the games are being played on a gaming machine located in an area specified by notice under section 77B(4) or 77C(2) of the Act); and

(e) that, under section 12(1)(d), in respect of the 27,500 gaming machines permitted to be available for gaming in all approved venues under the Act, other than the Melbourne Casino, the proportion to be placed in premises is:

(i) in the case of premises in respect of which a general licence under section 8 of the **Liquor Control Reform Act 1998** is in force, 50 per cent; and

(ii) in the case of premises in which :

(A) a full club licence under section 10 of the **Liquor Control Reform Act 1998** is in force; or

(B) a restricted club licence under section 10 of the **Liquor Control Reform**

Act 1998 is in force; or

(C) a licence under Part 1 of the **Racing Act 1958** is in force, 50 per cent; and

(f) that, under section 12(1)(e), in respect of the 27,500 gaming machines permitted to be available for gaming in all approved venues under the Act, other than the Melbourne Casino, the proportion of gaming machines which each gaming operator is permitted to operate is 50 per cent; and

(g) that, under section 12(1)(f), the Authority must apply the following criteria in determining whether to specify an area by notice under section 77B(4) or 77C(2) of the Act ('area' or 'areas'):

(i) the area must be within an approved venue under the Act;

(ii) the proportion of gaming machines in all areas of the approved venue must not exceed 20 per cent of the total number of gaming machines in the approved venue;

(iii) the total number of gaming machines operated by each gaming operator located in all areas must not exceed 1000;

(iv) the proportion of gaming machines located in all areas must not exceed:

(A) in the case of premises in respect of which a general licence under section 8 of the **Liquor Control Reform Act 1998** is in force, 50 per cent; and

(B) in the case of premises in which a full club licence under section 10 of the **Liquor Control Reform Act 1998** is in force; or a restricted club licence under section 10 of the **Liquor Control Reform Act 1998** is in force; or a licence under Part 1 of the **Racing Act 1958** is in force, 50 per cent;

(v) the area must not be within an approved venue located ₤

(A) outside the Melbourne Statistical Division; or

(B) in a region determined pursuant to s 12AA of the Act; and

(h) that the total number of gaming machines, in all areas specified by notice under section 62AB(4), 62AC(2) or 81AAB(2) of the **Casino Control Act 1991** must not exceed 1000; and

(i) that, under section 12(1)(g), the condition that the Authority must specify in a notice under section 12(1)(f) is that a gaming machine located in an area specified by a notice under section 12(1)(f) may only operate in a mode where spin rate, bet limit, autoplay and note acceptors are unrestricted if that gaming machine may only be played in that mode by means of a card, Personal Identification Number (PIN) or similar technology which requires the player to nominate limits on time and net loss before play can commence; and

(j) that, in respect of a region determined by the Minister in his order under section 12AA(1)(a) of the Act dated 15 February 2001, where the Authority, in accordance with section 12AA(3)(b), directs gaming operators in the region to comply with the regional limit on the maximum number of gaming machines available for gaming in the region, and when all the gaming operators have complied with the regional limit :

(i) under section 12(1)(d), the distribution of gaming machines between :

(A) premises in respect of which there is in force a general licence under

section 8 of the **Liquor Control Reform Act 1998**; and

(B) premises in respect of which there is in force a club licence (whether full or restricted) under section 10 of the **Liquor Control Reform Act 1998**; or a licence under Part 1 of the **Racing Act 1958**, in the region must be as close as practicable to that as at 30 June 2000; and

(ii) under section 12(1)(e), the distribution of gaming machines between the gaming operators in the region must be as close as practicable to that as at 30 June 2000.

The above directions will take effect on 1 January 2003.

Dated 12 September 2002

JOHN PANDAZOPOULOS MP