



31 January 2011

Committee Secretary
Joint Select Committee
on Gambling Reform
PO Box 6100
Parliament House
Canberra ACT 2600 Australia

By Email: gamblingreform@aph.gov.au

**PARLIAMENTARY JOINT SELECT COMMITTEE ON GAMBLING REFORM
INQUIRY INTO PRE-COMMITMENT**

Dear Ms Beverley,

The Australasian Casino Association (ACA) welcomes the opportunity to provide this submission to the Joint Select Committee on Gambling Reform's Inquiry into pre-commitment.

The ACA represents all casinos in Australia and New Zealand. Members include Tabcorp Holdings Limited, Crown Limited, SKYCITY Entertainment Group Limited, Federal Group, Casinos Austria International Limited, Lasseters Holdings Limited, Christchurch Casino and Dunedin Casino. This submission is provided on behalf of the ACA's Australian members.

The ACA understands the Joint Select Committee was created to provide advice to the government and parliament on a number of issues related to gambling reform. This Inquiry will be looking at the issue of pre-commitment. For ease of understanding the ACA sets out its position on pre-commitment below. It then provides some additional information that may be of assistance to the Committee in its deliberations.

Some facts about the Australian casino industry

There are 13 casinos in Australia. All but Casino Canberra provide electronic gaming machines (poker machines) for play by customers. The Australian casino industry accounts for only 6% of the total number of poker machines in Australia, and just 6.9% of all gambling expenditure.

The industry employs around 20,000 Australians, is a major training provider and contributes \$1.2 billion or 30% of its revenue in taxes at all levels of government.

Casinos are destination venues and are integrated resorts that offer a range of dining, accommodation and entertainment options, as well as major conference and convention facilities, for their customers, many of whom are international and interstate visitors. The vast majority of casino customers tend not to play in the community venues such as clubs and hotels. The casino industry invests heavily in tourism infrastructure with a number of casino companies investing in new hotels and the redevelopment of existing properties.

The casino industry is a leader in the provision of responsible gambling. Over the last ten years more than two hundred initiatives have been implemented to promote responsible gambling and to assist those gamblers who need assistance with their gambling behaviour. All casinos provide dedicated staff to assist those who need assistance as well as training for all front line staff.

The ACA's Position

The ACA will support a pre-commitment system that is compulsory for operators to provide but voluntary for players to use. In the ACA's view pre-commitment should be seen as one tool amongst many that are available to assist gamblers to make informed choices about their gambling behaviour.

The Government's agreement (the Agreement) with Andrew Wilkie MP to implement a "full" pre-commitment system drew from Recommendation 10.4 in the Productivity Commission's (PC) Report on Gambling. However, the Agreement ignores many of the key points outlined in Recommendation 10.4.

The PC recognised the complexities involved in the introduction of any pre-commitment system. The PC recognised that it could not be introduced in a short timeframe. The Productivity Commission regarded the trialling of voluntary pre-commitment as an essential step in determining whether mandatory pre-commitment was justified. The PC said the practical implementation of a full pre-commitment system would require the development of new standards, investments in new monitoring systems and trialing." The PC said "...there are inescapable practical and cost constraints on the capacity for early change."

Recommendation 19.2 in the PC Report recommended that trialling should test any design features for possible modification and substantiate that full pre-commitment has sufficient advantages over partial pre-commitment to justify proceeding with its implementation in all jurisdictions.

The government's proposed approach precludes any trialling or evaluation, thus ignoring the PC's recommendations.

The PC recognised that its proposal represented a "far reaching change in the gaming environment" but undertook no cost benefit analysis of its proposal. It said that full pre-commitment was not a "silver bullet" and that while a pre-commitment facility would clearly help problem gamblers its target was primarily the regular player.

The PC's proposal is primarily "a licensed-based approach." The PC said it was about constraining people's behaviour. In other words, full pre-commitment is about controlling how people spend their money.

The ACA believes the government's timeline is unachievable and ignores the realities of implementation of any pre-commitment system. Leading manufacturers have indicated that it will take at least 10 years to implement.

The Gaming Technologies Association, in a submission to the Productivity Commission, estimates that the cost of implementing such a system across all jurisdictions will cost an estimated \$2 billion. Industry estimates put the impact of the introduction of a mandatory pre-commitment system on industry revenue at approximately 40% of the revenue. This will have a flow-on effect on State government taxation revenue.

Implementation of a mandatory pre-commitment scheme will have a significant impact on the casino industry's capacity to continue to provide world-class gaming and non-gaming facilities as well as jobs. The casino industry is leading the way in Australia in reinvesting in and building new tourism infrastructure. The \$4 billion investment being made by the industry currently will be put at risk at a time when the Australian tourism industry needs

investment in tourism infrastructure. New hotel accommodation and property refurbishments that have been recently announced by a number of casino operators will be jeopardized by the implementation of a mandatory pre-commitment scheme.

The ACA therefore believes a pre-commitment system should:

- Not cause inconvenience to recreational gamblers nor should it impinge on the entertainment value of a customer's activity;
- Be flexible and simple to implement;
- Not impose a substantial financial burden on the industry;
- Only be rolled out once a rigorous evaluation has been conducted of an Australian trial;
- Be venue-based. The ACA rejects the notion that all machines in a jurisdiction should be networked;
- Provide information to allow informed choice by players who choose to utilise the pre-commitment mechanism;
- Recognise the fact that casinos are different from other venues which offer gaming machines;
- Comply with National Privacy Principles with the customer's right to privacy being respected; and
- Recognize the difficulties that will be faced by international tourists, who will not be familiar with pre-commitment systems.

Please find attached to this submission some additional information that expands on some of the points that have been made above. This information covers:

1. **Casinos as destination venues** – the difference between a destination gaming venue and a convenience venue.
2. **Casinos as integrated resorts** - the investment being made by Australian companies in their casino properties.
3. **Implementation of pre-commitment** - issues arising from its implementation.
4. **Privacy Issues** - the need for a satisfactory resolution of this issue.
5. **Casino customers, including international customers** - what sets them apart from non-casino tourists.

If you require further information please do not hesitate to contact me.

Yours sincerely,

Chris Downy
Executive Director

Additional Information

1. Casinos are destination gaming venues

Casinos are destination gaming venues. Destination venues involve a premeditated decision to travel to the venue, often over a significant distance. Convenience venues on the other hand provide facilities a consumer may encounter during their daily activities, leading to an impulse decision to gamble. These venues often have a high accessibility to consumers and few barriers to consumption.

This seminal differentiation between casinos and other gaming venues has always been accepted in Australia. Governments and regulators have recognised this difference through legislation, regulation and even in terms of tax rates. For their part casinos have accepted a much higher level of scrutiny and regulation as well as standards of operation that have imposed additional costs on their businesses.

Internationally in similar jurisdictions it is accepted that casinos are different from convenience gaming. The Responsible Gambling Council of Ontario in its paper, [Insight 2009 - Play Information and Management System](#), pointed out that “a casino venue can be very different from a community-based VLT venue, not only in terms of logistics and gaming operations but also in terms of the political culture of the different jurisdictions.”¹

In the UK, NZ, Canada and the USA different regulatory regimes apply to casinos compared to convenience gaming. In the UK there are different classes of gaming machines. In the USA and Canada, Video Lottery Terminals are operational in convenience locations while casinos operate EGMs (or poker machines). In Nova Scotia, for example, the mandatory pre-commitment scheme applies only to VLTs in convenience venues. Nova Scotia, along with Norway, is often cited as a possible template for Australian policy regarding the implementation of pre-commitment. Both these jurisdictions have gambling environments and systems in place that differ markedly from Australia. Norway has no casinos. The two casinos that operate in Nova Scotia are exempt from the pre-commitment scheme operating there.

In Sweden, a mandatory player card system has been launched for online gambling, lotteries, bingo and sports betting but the four casinos (all government owned) that operate in Sweden have a separate voluntary loyalty card scheme.

Different rules apply to the operation of EGMs in non-casino venues in New Zealand as opposed to casinos.

2. Casinos as integrated tourism resorts

Australian casinos - while their main activity is gambling - also generate tourism, and offer a range of non-gaming facilities - including dining, entertainment, retail and accommodation as well as extensive conference and convention facilities - all at the upper end of the hospitality scale. They provide this integrated tourism infrastructure on a scale far greater than other venues. It is considered unlikely that this infrastructure would be provided if casinos did not exist.

To ensure that casinos continue to provide world-class gaming and non-gaming facilities, they continually re-invest, renewing and enhancing existing facilities. Casinos require their gaming operations to generate sufficient returns to meet the costs of providing both gaming and non-gaming services and facilities. In contrast many other gaming operators do not face the same stringent requirements for providing world - class facilities.

¹ Responsible Gambling Council Centre for the Advancement of Best Practices, [Insight 2009 - Play Information and Management System](#), p. 37

Over the previous three years and into the future the casino industry has been, and is investing in new and redeveloped tourism infrastructure. A number of casino companies are investing in new hotels and the redevelopment of existing properties as competition from Asia becomes more pronounced. Some developments are as follows:

- Crown Limited is more than half way through a \$2.0 billion capital refurbishment program which includes construction of Australia's largest hotel, the 658 room Crown Metropol – the third hotel at Crown and a complete refurbishment of Crown Melbourne and Burswood. This expenditure will strengthening Crown's position as a leading integrated resort in the Asia Pacific region and will allow Crown to compete with the new integrated resorts in Singapore and Macau.
- Tabcorp is investing around \$860 million in redeveloping Star City Hotel and Casino Sydney – including a new 5 star hotel and a 3000 seat events centre as well as significant expansion of VIP customer facilities including luxury accommodation, private aircraft and gaming facilities, and a complete refurbishment and expansion of the casino and 4000 square metres of retail space and entertainment facilities. Star City will emerge from the redevelopment as a major international integrated resort that will ensure a growth in the high-end international tourism market.
- Tabcorp recently announced a further \$625 million investment in its Queensland properties, including additional 5 star hotel accommodation at Treasury, Brisbane and at Jupiters Gold Coast as well as new restaurants and event space.
- SKYCITY has already announced and is proceeding with the development of a tropical resort to provide additional accommodation as well as having completed a major refurbishment of SKYCITY Darwin. SKYCITY recently announced it was prepared to invest \$250 million in Adelaide Casino with plans to extend the current casino towards the riverfront as well as develop new bars and restaurants.

Regionally based casinos are also important players in their locally economies, especially as providers of tourism infrastructure in their regions:

- Jupiters Townsville, a major regional integrated casino resort, sold 49,790 room nights in 2008 of which 70% were sold to visitors to the region. In the 2008 and 2009 this casino hosted around 1,500 events per annum attracting 53,000 guests.
- The Reef Hotel Casino in Cairns is an integral part of the North Queensland tourism product, and sold more than 37,000 room nights in 2010, 78% of which were sold to visitors from outside of the region. It employs 500 staff and is a major employer in the local Cairns community.
- Lasseters has announced a major \$35 million refurbishment of its Alice Springs property including an additional 68 hotel rooms, a new premium player area and VIP room and refurbishment of the existing restaurant into a 250 seat dining area.
- The Federal Group, owner of both Tasmanian casinos, has invested \$161.5 million in tourism properties and attractions over the last 7 years. Wrest Point is one of the most significant private employers in Hobart with over 750 full time equivalent staff (FTE). In 2010 almost 70% of its rooms (79,000 rooms) were sold to interstate or international visitors. The Wrest Point rooms make up 20% of all 4/5 star stock available in Hobart. It also hosted 330 events in 2010 that attracted 25,000 as well as 32 major entertainment shows that attracted 24,000. Country Club Tasmania in Launceston is a significant regional employer with 370 FTE. 45% of all rooms (17,700) sold were to interstate and international guests. Almost 50,000 people attended events, functions and entertainment shows in 2010. Both Tasmanian casinos support local charities and sporting groups with significant cash or product donation of in excess of \$1.0 million.

3. Practical issues regarding implementation of pre-commitment

The ACA supports a system that is compulsory for operators to provide but voluntary for players to use. Such a system will add to the more than 200 initiatives that casinos have implemented in the last ten years to promote responsible gambling and to assist those gamblers who need assistance with their gambling behaviour. A voluntary pre-commitment system will be another tool amongst many that are used to assist gamblers to make informed choices about their gambling behaviour - a financial management tool not a means of resolving problem gambling behaviour.

In the ACA's view, a pre-commitment system should:

- Not cause inconvenience to recreational gamblers nor should it impinge on the entertainment value of a customer's activity. Casinos are integrated resorts that offer a range of entertainment options for their customers – local, intrastate, interstate and international.
- Be flexible in that it should not necessarily rely on the introduction of new technology to provide the solution and should reflect the diversity and differences of the casino industry and its customers. To this end the use of player cards, currently available in all casinos as player loyalty cards, could be the most common vehicle for the introduction of any precommitment system.
- Be venue-based. The ACA rejects the notion that all machines in a jurisdiction should be networked. The vast majority of casino customers tend not to play in non-casino venues.
- Be simple to implement, effective and not impose a substantial financial burden on the casino industry. The cost of implementing such a system across all jurisdictions has been estimated to cost \$2 billion as already indicated. Nova Scotia has 2,900 VLTs.² Nova Scotia has estimated that the cost of implementing its new pre-commitment scheme will be \$C25 million over five years as well as an additional \$C144 million for new VLTs and \$C65 million for the development of new games. Considering that Australia has approximately 198,000 gaming machines the cost of installing a full pre-commitment system in Australian venues will be substantial.
- Be such that all new machines should be required to have a pre-commitment mechanism and therefore the system should be phased in as recommended by the PC.
- Provide accessible information to allow informed choice by players who choose to utilise the pre-commitment mechanism - such as player activity reports online, current session feedback, limit setting and/or timeouts.

The government and the responsible Minister have on various occasions proclaimed that the government wants to help problem gamblers but not to introduce measures that will have major revenue and employment impacts on industry as well as impacting on the large majority of recreational players who don't have a problem with their gambling.

Given the significant costs associated with implementing a full pre-commitment scheme, the pre-condition for any introduction of pre-commitment should be a reasonable body of evidence to demonstrate that pre-commitment has worked in reducing the prevalence of problem gambling. This pre-condition has not yet been met.

² Responsible Gambling Council Centre for the Advancement of Best Practices, [Insight 2009 - Play Information and Management System](#), p. 41

The Productivity Commission regarded the trialling of voluntary pre-commitment as an essential step in determining whether mandatory pre-commitment was justified.

The PC recommended “rigorous evaluation of the approaches” it had recommended and said that it recognised that full pre-commitment was not a “silver bullet”. Recommendation 19.2 in the PC’s report stated that trialling should test any design features of full pre-commitment for possible modification. Further it recommended that trialling should “substantiate that full pre-commitment has sufficient advantages over partial pre-commitment to justify proceeding with its implementation in all jurisdictions.” The PC recognised the complexities of implementing a full pre-commitment system and said that prior to implementation there would have to be:

- Consultation among all stakeholders;
- Preparatory work by governments (such as in standards development and trials);
- A reasonable transition period to reduce costs for affected parties; and
- The packaging of measures, where possible, to reduce adjustment costs to venues and gaming machine manufacturers.

The PC also recommended that implementation plans would need to take account of the imperative to monitor and evaluate outcomes to ensure that the measures were working effectively and an associated need to determine evaluation methodologies and collect relevant evidence prior to evaluation.

Professor Alex Blaszczynski’s and Dr. Sally Gainsbury’s submission to this Inquiry labels the effectiveness of mandatory pre-commitment as being “of limited benefit” to the majority of problem and pathological gamblers, and notes that no cost benefit analysis has been undertaken. Professor Blaszczynski is cited by Clubs Australia in its submission as stating that “... Results of the current study suggest that those most in need of limit-setting, problem gamblers, are the least likely to adopt the use of smart cards and other pre-commitment technologies and the most likely to find ways around limitations.”³

Voluntary pre-commitment which is expected to be far less costly and easier to implement in a shorter time frame may be a useful tool in helping players track the amount they spent during sessions.

The government’s proposed approach precludes any trialling or evaluation, thus ignoring one of the PC’s key recommendations. Its agreement with the Member for Denison cannot be implemented as outlined by the government without causing major dislocation to the casino industry. Many casinos in Australia, as already indicated, have or are undertaking major redevelopments and renewal of their properties. This investment is based on a business model that is currently in place based on current regulatory requirements. This includes in some cases the capacity to provide overseas gaming product that may not have the functionality to achieve the type of pre-commitment mechanism that is envisaged by the Commonwealth government but which enables these casinos to compete on an international basis.

The government’s timeline is unachievable and ignores the realities of implementation of any pre-commitment system. The casino industry takes the view that the introduction of voluntary pre-commitment mechanisms by individual casinos working with their respective regulators is far preferable and more likely to be introduced in the time frame originally set by the PC (or even earlier) than would be the case for a universal jurisdictionally based system as proposed by the PC. Evaluations of voluntary pre-commitment systems suggest that with targeted marketing, appropriate staff training

³ Clubs Australia submission to the Inquiry into Pre-commitments Scheme, p.21

and continued refinement such systems may eventually represent a beneficial and cost effective system.

4. Privacy Issues

The customer's right to privacy has to be respected and any system must comply with National Privacy Principles. Should the Government wish to proceed with a mandatory pre-commitment system, consideration must be given to the day to day administration and security protocols that will be required to protect the data base that will be required to administer a mandatory pre-commitment system.

The size of the database will be extremely large, ultimately holding player records of more than five million customers. Australia has approximately 5,700 venues that offer gaming machines to customers and there will need to be clear procedures in place to allow customers to set and change limits and procedures in place to answer queries and issue replacement cards. The security and administration of this data base may require the type of procedures applied for the Medicare data base. This will be costly to operate and consideration must be given to who will pay for the operation of this system.

In the limited research available on pre-commitment one of the major issues has been the privacy concern of players and the need to ensure that a player's privacy is guaranteed. The issue of privacy is "one of the most commonly cited in the evaluations of current card-based systems."⁴ It is important that in any system the technology is capable of ensuring a secure and private system and that there is a perception amongst players that the system is secure and private. Australian research by Nisbet concluded that player perception of the security and reliability of the card was more essential "to gaining acceptance than perceptions about the card's ability to manage gambling expenditures."⁵ More than two thirds of Nisbet's survey respondents indicated that they preferred to remain anonymous when gambling⁶. McDonnell-Phillips in its research report into pre-commitment for Gambling Research Australia found that while there was strong interest in limit setting, pre-commitment would have the greater impact if it was offered as a voluntary, rather than compulsory option and that issues with privacy were the major concern of consumers.⁷

The ACA recommends that consideration needs to be given to protocols to be established regarding actions to be taken once a player reaches his/her limit. The PC report was not specific on this issue but made a number of suggestions that were neither practical nor cognisant of operating procedures in casinos. Moreover the issue arises as to why a recreational player who reaches their limit should be excluded from a venue simply because the player has reached a pre-determined limit. To treat a customer as if that person was a problem gambler who should be excluded goes beyond the purpose of pre-commitment.

5. Casino customers

The ACA commissioned some research in 2010 from Roy Morgan Research regarding casino customers and their behaviour. According to the Roy Morgan Report, casino poker machine players:

- Tend to have a high level of discretionary expenditure;

⁴ Responsible Gambling Council Centre for the Advancement of Best Practices, Insight 2009 - Play Information and Management System, p.8.

⁵ Ibid, p.26

⁶ Nisbet, S, Alternative Gaming Machine Payment Methods in Australia: Current Knowledge and Future Implications, International Gambling Studies, p.243

⁷ McDonnell-Phillips, Analysis of Gambler Pre-Commitment Behaviour, Gambling Research Australia (2006), p 46

- Tend to spend less time on a poker machine but spend more than players in non-casino venues;
- Like to socialize more – suggesting that they frequent casinos to not just gamble;
- Tend to pre-commit to a certain level of expenditure; and
- Are more likely to come from the top two socio-economic quintiles, suggesting that they earn high levels of income, have a high level of education and a professional/white collar employment background.

The Roy Morgan Report confirmed that in the main casinos are destination gaming venues where customers go for that special night out. This report matches a study presented by Dr Anna Thomas of Swinburne University to the 2009 NAGS Conference in Canberra that concluded that Australians use non-casino poker machine venues differently to casinos where the local venues were seen as a more familiar, comfortable and regular place to visit as opposed to a casino being a venue to visit for a special night out.

Additionally the McDonnell-Phillips study for Gambling Research Australia – *The Australian National Survey of Gambler Precommitment Behaviour 2005* - suggested that casino EGM players were more likely to pre-commit to a certain expenditure than other players.

The survey, of 240 EGM players, (11% played in casinos, 66% in clubs and 22% in hotels), found that:

- Casino based EGM players were the most likely to save up small amounts for gambling, and
- Casino EGM players found that as a pre-commitment strategy taking only what they planned to spend more effective than other EGM players.

Another group of customers have not been considered in the debate on pre-commitment. These are international tourists whose decision to visit was based partly on the fact that casinos were operating in Australia. Over 1 million of these international tourists made 2.4 million visits to Australian casino in 2007-08. These international tourists who visited casinos spent a total of \$4.9 million during their time in Australia – an average of \$4940 per visitor. This compares with the average expenditure of \$2630 per international visitor who did not visit a casino during their time in Australia.

It needs to be recognised that the imposition of a compulsory system will have a big impact on not only these international visitors but interstate and intrastate players from outside the local community who may visit a casino on a few occasions. Requiring these players to sign up to a compulsory system will be inconvenient and overly bureaucratic. Moreover the rationale for imposing a compulsory system on these players does not necessarily apply to tourists whose main purpose in visiting a casino and to a certain extent, one of their considerations for visiting Australia or a certain state or city where there is a casino, lie in spending money and maximising their fun and leisure time. The PC's solution was to provide cards, which would make a small amount of \$10 or \$20 available to these players.

If a pre-commitment system is voluntary for customers there is no issue. If it is mandatory it becomes an issue. Even the provision of a temporary card will require some registration process that would be unnecessarily bureaucratic and take away from the visitor's overall entertainment experience.