Joint Select Committee on Gambling Reform

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Mandatory pre-commitment: a 'low-risk high-risk' model

Introduction

Mandatory pre-commitment for poker machine gambling should remain as a clear policy goal, with a focus on providing gamblers with a tool to manage their gambling and in particular address the harms associated with problem gambling. We have however considered some aspects of the practicalities of implementing such a system (in particular the lead times involved) and wish to put some further development of our previous submissions to the Joint Select Committee. As members of the Committee may recall, in earlier submissions and evidence to the Committee we did propose a model for pre-commitment in which low-impact or low-risk poker machines might be available without the necessity of pre-commitment. We have prepared this supplementary submission in the interests of elaborating some detail of this proposal in the context of the on-going debate on this issue.

Background

A number of current poker machine users, often referred to as recreational gamblers, report enjoyment of the entertainment value of poker machines. Many members of this group are also very intermittent or irregular users. As the Productivity Commission noted, although 25%-30% of the adult population use poker machines in any one year period, only about 4% of the adult population (about 600,000 people) are regular (i.e., weekly) users of poker machines. To minimise any possible or potential inconvenience to intermittent or purely recreational users, an entertainment focused poker machine product category is proposed. This category would allow users to play low risk poker machine games without the need to use a pre-commitment system to do so.

However, poker machine users who wish to use high-risk poker machine games (defined as those **currently** in operation in hotels and clubs throughout Australia, and in casinos) would be required to use a pre-commitment system to access such games.

The focus of this submission is on better targeting of harm minimisation measures.

Recreational, entertainment or intermittent pokie gamblers would have open access to machines with a low potential for harm. More regular gamblers (which would include most if not all problem or at risk gamblers) may also wish to access high risk machines. Such users would then be required to use a tool, which permits them to use those machines but also

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permits them to manage their gambling, self-exclude from such gambling if necessary, and keep track of gambling expenditure.

Some industry sources have argued persuasively that some low level users of poker machines are not really gamblers, but are better seen as consumers of an entertainment product. These patrons do not require high-risk gambling. Bypassing pre-commitment is in all probability quite safe for a significant majority of these entertainment consumers. However, the gaming machines they use must be very safe, since such devices could also be accessed by problem or at-risk gamblers outside their pre-commitment cap.

Clubs or hotels that do not wish to invest in pre-commitment technology in the short term could choose not to do so – but poker machines they operate would need to be low risk, entertainment focused devices. Other venues might choose to operate a mix of devices.

High-Risk vs. Low-Risk poker machines

Currently, all Australian jurisdictions permitting poker machines in pubs and clubs permit high-risk games in those venues. These are games with bet limits as high as $10 per spin, maximum prizes of around $10,000 (although linked jackpots permit higher prizes), and 'load-ups' of up to $10,000. Some jurisdictions, including Victoria and Tasmania, have legislated for a reduction of the maximum bet to $5, and in Queensland the 'load-up' limit has been reduced to $100. The Victorian 'load-up' was recently reduced to $1,000 from $9,949. Even in jurisdictions with recent parameter reductions, these settings are very high and clearly permit very large sums of money to be expended very quickly – up to $1,500 per hour, as the Productivity Commission calculated. These games are also quite volatile, which means that average returns are rarely if ever achieved during gambling sessions or in the cumulative experience of even very regular gamblers. This game volatility is a design feature, which appears to be associated with higher risk gambling, and occurs because the relatively small number of relatively large wins skews game outcomes.

However, some jurisdictions (e.g., the UK) have stipulated that much lower maximum parameter values should be deployed in social venues (local clubs and pubs), and in Britain such venues operate a small number of low risk machines with maximum bets in the range of 50p and maximum prizes of £100. In Australian conditions, a poker machine with a maximum bet of $1 would be expected to cost an average of $120 per hour to operate, as calculated by the Productivity Commission. However, reducing the maximum prize to about $500 would reduce the inherent volatility of the game maths of the game, which means that the average rate of return to players would be much more likely to be achieved over the short term. Reducing the load-up limit to $20 (as also argued by the Productivity Commission) is also likely to be an effective complement to this approach, reducing the 'danger' element in such games and rendering them much more entertainment focused.

Our calculations suggest that a low-risk game, with a maximum bet per spin of $0.50 and a maximum prize of $500, would permit average losses in the range of $55 per hour. Such a game would conform to its average returns more closely than highly volatile games currently deployed throughout local clubs and pubs in Australia. At present, it is readily possible to lose $400 over the course of around 20 minutes poker machine use in all

relevant Australian jurisdictions. Low-risk games, however, would require a user to devote an average of 7 hours to such a level of loss. Clearly, such a system would impose a much-reduced burden of harm on users who wish to make use of poker machines outside the pre-commitment system.

It is very unlikely (based on research undertaken on modified poker machines in 2001, commissioned by the poker machine industry) that recreational or 'entertainment' pokie gamblers would notice much difference about the machines – except that they would provide them with a more regular experience of entertainment in a greatly risk-minimised environment.

Phasing-in

The poker machine industry has argued that pre-commitment imposes an unnecessary burden on recreational gamblers, and in any event would cost too much and require a very long lead time. Although we strongly dispute these claims, a system such as that outlined in this paper would address any such concerns comprehensively.

In the short term, those poker machines capable of operating mandatory pre-commitment should be converted to that capability as soon as possible. By that date, all other machines could be required to operate on parameters set along a trajectory towards low risk capability. For example, parameter milestones could be set at $5 max bet and $2,500 max prize, $2 max bet and $1,000 max prize and eventually $0.50 max bet and $500 max prize. These milestones could be set at intervals of one year. By the time the final milestone was in place, it would be expected that a large number of poker machines would be fully compliant with pre-commitment requirements.

It will also be possible to deploy poker machines offering both high and low risk modes, both in stand-alone machines and via server based gambling, expected to increasingly feature in Australian settings in coming years. High risk games could be accessed only with a smartcard. Low risk games, however, could be available without. It is in fact desirable for all machines to eventually offer pre-commitment capability, to permit users maximum control over their gambling whether high or low risk, and as poker machine stock is replaced this will be feasible. However, player safety and harm minimisation goals can be achieved relatively quickly using the 'low-risk high-risk' approach, which targets the player category most likely to experience difficulties while providing a much safer environment for entertainment focused users.

Specifications for high risk-low risk model of mandatory pre-commitment

Pre-commitment capability using a smartcard mandatory on all gaming machines.

- Ensures problem gamblers always have the capacity to include their gambling within their cap.
- Ensures gamblers can compile cumulative data on their expenditure; currently poker machine gamblers do not have accurate price information – a basic consumer protection right.
- Fully implemented on all high-risk games at an early date; fully implemented on all games at a later date

High risk gaming machines can only be accessed via valid pre-commitment smartcard.

- Ensures problem and at-risk gamblers must include their high-risk gambling within their predetermined cap.

Low-risk gaming machines can bypass pre-commitment.

- Allows entertainment consumers, casual and infrequent gamblers, those not wishing to identify themselves to an adequate standard, and ambient international tourists, to use poker machines without needing to apply for a pre-commitment smartcard.

High-risk gaming machine gambling national maximum parameter values:

- $10,000 top prize; $5 or $10 maximum bet; $200 maximum load up (subject to existing jurisdictional parameter settings).

Low risk gaming machine gambling national maximum parameter values:

- $500 top prize; $0.50 maximum bet; $20 maximum load up.
- Introduced on a trajectory as follows:
    - Milepost 1 $5 max bet - $2,500 max prize - $20 load up
    - Milepost 2 $2 max bet - $1,000 max prize - $20 load up
    - Milepost 3 $0.50 max bet - $500 max prize - $20 load up

Major Issues

The structure of the phase-in period: Critical to achieving player protection as quickly as possible

Management of the pre-commitment system: A smart card based system offers the least problematic and lowest cost approach. It would need kiosks at venues that use pre-commitment, linked to a database which stores details of cards issued and limits set. Limits could be moved at periodic intervals – preferably monthly – and cards would require re-validation each month. Since smart cards would store all data, privacy concerns would be addressed. The only data centrally stored would be that a card had been issued; what the limits on that card were for the time being; and if the card-holder had requested self-exclusion, and if so for what period. Monthly re-validation would be a safeguard against 'lost' cards being traded or multiple cards being in use simultaneously.