

17 January 2011

Mr Hamish Hansford
Secretary
Joint Select Committee on Gambling Reform
PO Box 6100
Parliament House, Canberra
ACT 2600

Dear Sir,

Re: Inquiry into Gambling Reform – Submission on the Pre-Commitment Scheme

Maxgaming is pleased to respond to the Select Committee's invitation to provide a submission that discusses the design and implementation of a best practice full pre-commitment system.

Maxgaming will limit its submission to the following terms of reference:

- i) The Productivity Commission report on gambling, released in June 2010, including a national response to the full set of its recommendations;
- ii) The design and implementation of a best practice full pre-commitment scheme – that is uniform across all states and territories and machines – consistent with the recommendations and findings of the Productivity Commission

Maxgaming would be available to provide any additional information required by the Joint Select Committee and appear at any public Hearings if required.

It is hoped the submission is of some assistance and value to the Joint Select Committee for Gambling Reform and we look forward to the opportunity to further discuss the content.

Yours Sincerely,

Peter Hall
General Manager Qld /NT

MAXGAMING PTY LTD

Overview

Maxgaming, a wholly owned subsidiary of Tatts Group Limited, is a Licensed Monitoring Operator (LMO) of electronic gaming machines (EGMs). Maxgaming is the largest monitor of gaming machines in the world with over 135,000 machines across its network, including 34,000 gaming machines in Queensland and, through exclusive licences, all machines in New South Wales and the Northern Territory.

Maxgaming's monitoring system is also deployed in the United Kingdom across the Talarius network of adult gaming centres, the largest operator of its type in the UK.

As an LMO, Maxgaming has no vested interests in Hotels, Clubs, other gaming operators or gaming machine manufacturers.

We currently provide a card based cashless gaming system, *Simplay*, which includes a pre-commitment facility to 4297 EGMs and 44 venues in Queensland. It also supports a self-exclusion capability, currently on a site-by-site basis, that offers further player protection against the negative aspects of gambling

This submission will concentrate on the following terms of reference:

- i) The Productivity Commission report on gambling, released in June 2010, including a national response to the full set of its recommendations;
- ii) The design and implementation of a best practice full pre-commitment scheme – that is uniform across all states and Territories and machines – consistent with the recommendations and findings of the Productivity Commission.

***Simplay* Pre-commitment**

Maxgaming's *Simplay* card based gaming system incorporates pre-commitment functionality offering patrons a cost effective, flexible mechanism to control gambling spends and the time spent playing EGMs. The system is the result of development over a number of years and its intention is to encourage safe and enjoyable game play.

Currently it is configured as a 'voluntary to use' pre-commitment system that offers the following solutions:

- A means by which players set personally defined pre-commitments and at a minimum, **a spending limit that cannot be revoked within a 24 hour period.**
- When this limit is reached no further credits can be transferred to the poker machines at that venue (or in any other venue if operating in a wide-area environment). The account is locked until the next gaming day before carded play can resume. Time limits are also available from 15 minutes to 24 hours; this feature also disables the transfer ability to the machine if the time limit is exceeded;

- Player statements are available that detail machine spend on a daily, weekly and monthly basis. The reports include a listing of all major losses (\$100 or more) since the last request for information;
- Players may elect to opt-in via prompts suggesting they consider setting a pre-committed level of spend;
- The use of one-off small denomination cash cards for occasional gamblers to use on machines, with only minimal identification requirements;
- It can apply to all gaming machines in all venues in all jurisdictions;
- Avoids identity fraud;
- Simple for players to understand and use;
- Does not unduly affect the enjoyment of those selecting safe playing options;
- Presents few obstacles to future innovation in the presentation and design of the system; and
- Offers a low risk, low cost solution that minimises harm to consumers and the broader community.

Self Exclusion

Maxgaming provides its Queensland sites an automated application that caters for self exclusion and venue instigated exclusion. It provides the venue with an easy to follow process that identifies an excluded patron, selects the areas and activities in the venue the player is excluded from, automatically removes excluded players from mailing lists and promotional activities such as members draws and updates the Exclusion Register with all exclusion-based events. The application also provides contact details of the venue's choice of Gambling Help provider.

The exclusion facility is currently on a site-by-site basis but with Maxgaming's monitoring network capability a wide-area database, as suggested by the Productivity Commission Final Report (section 10.2), could be implemented across the Queensland, New South Wales and Northern Territory jurisdictions over time.

Maxgaming concurs with the Productivity Commission's view that self exclusion could be made easier via electronic means. This is tempered by concerns that such exclusion could be instigated by some other party. Appropriate safeguards, such as pin numbers or passwords, would need to be considered in any electronic solution.

Productivity Commission's Recommendation Chapter 10.4

The commentary is structured around the issues raised by the Productivity Commission recommendation 10.4 and its convention that 'Each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines by 2016, subject to initial development (recommendation 19.1), trialling (recommendation 19.2) and compatible monitoring systems (recommendation 10.6)'.

Alternative Approaches to Pre-commitment

The Commission’s Report describes and compares a range of pre-commitment alternatives. Maxgaming believes a useful approach to classifying the alternative models is whether the system is voluntary or mandatory for venues to install and whether usage by players is voluntary or mandatory.

Currently the only pre-commitment model that exists in Australia is one where venues voluntarily install and offer their patrons a pre-commitment tool and the use of that tool is a matter of player choice. This model has been successfully implemented in the Queensland jurisdiction, as previously described in this response.

Maxgaming’s experience with its *Simplify* pre-commitment platform in the Queensland market has demonstrated that a voluntary scheme is showing encouraging signs as to the level of acceptance from players. To date, an average of 11.8% of *Simplify* users have volunteered to set pre-commitment limits. If these patrons fall into the category of being “problem gamblers”, reportedly 30% of all players, this suggests that more than one third of patrons with a gambling problem set a pre-commitment limit on a voluntary basis.

Maxgaming concurs with The Commission’s view that it would be highly beneficial to introduce pre-commitment via a ‘voluntary to use’ methodology as stated in recommendation 10.4 – ‘provide a means by which players could voluntarily set personally-defined pre-commitment and, at a minimum, a spending limit, without subsequently being able to revoke these in a set period’.

As identified by the Commission (10.29) the introduction of partial pre-commitment would allow gamblers to become familiar with pre-commitment cards. It is suggested that it would be prudent to gain community acceptance by the introduction of such a model.

The following Table represents *Simplify* users who have voluntarily set pre-defined limits on their gaming play:

Venue	Simplify Users	Users with a limit	% Limit Take up Rate
Aspley Leagues Club Limited	366	36	9.8%
Beenleigh Bowls and Recreation Club (The	151	21	13.9%
Biloela Anzac Memorial Club	149	10	6.7%
Black Nugget Hotel Motel	37	9	24.3%
Bribie Island Bowls Club Inc	132	31	23.5%
Brothers Leagues Club (Cairns)/ Fuller Sports	1,232	193	15.7%
Brothers Leagues Club (Townsville)	205	35	17.1%
Bundaberg & District RSL	479	40	8.4%
Bunya Sports	119	25	21.0%
Caloundra Power Boat Club Ltd	70	6	8.6%
Caloundra Sub-Branch RSL Services Club	436	61	14.0%
Cambridge Hotel	25	2	8.0%
Cannonvale Reef Gateway Hotel Motel	48	3	6.3%

Carriers Arms Hotel	76	7	9.2%
CQ BID Leagues Club	383	40	10.4%
Crushers Leagues Club Limited	28	1	3.6%
Frenchville Sports Club Ltd	755	90	11.9%
Geebung Zillmere RSL & Services Memorial	62	7	11.3%
Gympie & District RSL Memorial & Citizen	138	6	4.3%
Kingaroy & District RSL & Citizens Memorial	135	7	5.2%
Logan And District Services Club Inc	231	20	8.7%
Mareeba RSLA Services Club	149	14	9.4%
Maroochydore RSL & Ex-Services Club	1,324	57	4.3%
Maroochydore Surf Life Saving Club	127	17	13.4%
Maryborough Sports Club	158	21	13.3%
Mount Isa Irish Association	206	41	19.9%
Nanango RSL Memorial Club Inc	86	13	15.1%
Oxford 152	45	17	37.8%
Pine Rivers Memorial Bowls Club	1,176	120	10.2%
Redcliffe Leagues Club Limited	373	34	9.1%
Rockhampton Leagues Club	4,922	54	1.1%
RSLA Maryborough	252	43	17.1%
RSLA Redcliffe	299	91	30.4%
Southern Hotel Motel	98	14	14.3%
Southern Suburbs Football Club (Mackay)	185	36	19.5%
Stafford Tavern	258	5	1.9%
Sugarland Tavern	421	5	1.2%
Surfers RSL	87	5	5.7%
Victoria Point Sharks Sporting Club	8,828	66	0.7%
Yaralla Sports Club Inc	13,303	165	1.2%
Zillmere Sports	52	9	17.3%
Total / Average	37,606	1,477	11.8%

The second option for pre-commitment is where it is mandatory for venues to have every gaming machine connected to a pre-commitment system, with the decision to use or not use left to the player. No Australian jurisdiction currently has experienced this form of pre-commitment although Victoria has legislated for such a model to be in force from 2015 (and partially sooner).

This form of pre-commitment has a number of advantages as it could be a relatively low cost alternative using technology that already exists in the market place. It provides the player with a range of features, such as spending and time limits that will address the major problems experienced by problem and at-risk players. At the same time, it does not interfere with occasional players who enjoy the occasional gambling experience. It could provide an alternative that is both attractive to the player and, perhaps, acceptable to Industry participants.

The Productivity Commission's Report identifies a number of advantages of a voluntary pre-commitment model in Chapter 10.5 (p10.21) that directly relate to a 'voluntary for player' pre-commitment model.

Such a model offers the protections necessary to reduce problem gambling and assist at-risk players to control their spending and as stated in the Commission's Report the implementation of such a model would allow for the development of standards and the earlier adoption of pre-commitment prior to consideration of full pre-commitment slated for introduction in 2016.

The third alternative, and the Productivity Commission's recommended (preferred) model, is one where it would be mandatory for venues to install pre-commitment technology on all machines and mandatory for players to use the system (the occasional one-off small denomination cash card concept as outlined on page 10.27 is considered to be a form of pre-commitment).

The Productivity Commission report identifies that such a pre-commitment model would need some kind of commitment technology that would include player identification, reflect pre-determined preferences, offer secure storage of information, provide player information statements and overcome player privacy concerns. Maxgaming's *Simpleplay* pre-commitment platform has the capacity to meet these requirements.

Maxgaming's general comment is that the **second option offers a majority of the benefits** and is much less intrusive to gaming players generally.

Likely Acceptance

Further to our response to the Productivity Commission's Draft Report of October 2009, Maxgaming again notes that it is not aware of any research findings into the level of public support for 'Mandatory to Use' pre-commitment systems. The support levels are questionable when the considerable majority of players do not consider themselves to have a gambling problem and see no need for such protections.

It is suggested that the introduction of any pre-commitment system will have a higher chance of success if it is introduced alongside such products as player loyalty and cashless gaming where players can easily see a personal benefit to carded play.

In considering the options and reflecting on the acceptance of a full pre-commitment regime, Maxgaming still believes there is a strong case for the system to be voluntary to use. It is recognised, however, that this is not the Productivity Commission's preferred model and, as such, we conclude that the benefits of a mandatory for site and voluntary for player strategy would have the best chance of gaining acceptance by the community and a majority of Gaming Industry participants. On-going investigations could be undertaken to identify any additional benefits of a 'Mandatory to Use' player model, weighing that against the additional costs associated with its introduction.

Costs

With the introduction of any pre-commitment system there will be costs, both upfront capital and recurring. The economic costs are not confined to such costs but also include the potential impact on market demand.

A card based gaming system provides a low cost pre-commitment alternative that negates the requirement to replace existing gaming machines. Card readers, attached to gaming machines would form the basis of the system. This could mean a shorter transition period than would otherwise be the case.

A card based system could be enabled as voluntary or mandatory to use as the upfront hardware and installation costs would largely be the same. Card production costs would obviously be far greater in a Mandatory model. It could also be enabled on an 'opt-in' or 'opt-out' basis as required.

Some system suppliers, including Maxgaming, have adopted a business model where the supplier retains ownership of all components and venues only pay a daily fee covering system software, hardware, service support and maintenance, with no upfront costs. The benefit of this approach is that it enables the functionality to be updated as technology advances. Venues are not left with obsolete hardware and regulators are able to amend the system over time. This "no upfront cost" model has the added benefit of removing finance costs as a barrier to system rollout.

The design and implementation of a best practice full pre-commitment system

The Productivity Commission's Report correctly concluded that pre-commitment is a strong, practicable and cost-effective option for harm minimisation. In its Recommendation 10.4 it states 'Each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines by 2016.

The Productivity Commission recognises that the introduction of a nation-wide pre-commitment system would significantly delay any introduction and recommends a state based implementation. The important consideration in any pre-commitment regulation centres on the implementation of a national standard that can lead to a single system in time.

The nature of the machine protocol and capacity of existing player loyalty systems to support pre-commitment in each jurisdiction affects the practicality and cost of a quick implementation. Gaming machines with card readers and loyalty systems in place could be more cheaply modified for pre-commitment than those where these features are absent, subject to the capacity of the system suppliers to perform such enhancements.

Recommendation 10.6 of the Commission's report states '**By 2016, all jurisdictions should have central monitoring or other systems that can deliver full pre-commitment to all venues and can make remote changes to all gaming machines.**

Maxgaming provides the following transition strategy for such an implementation and examines the capacity of some jurisdictions to provide such systems prior to 2016:-

It is assumed that in each jurisdiction an ancillary piece of hardware would be introduced that would be attached to the gaming machine. The installation would be at the expense of the pre-commitment system provider. This allows for pre-commitment to be introduced on all suitable existing and new gaming machines.

The ancillary hardware will have a card reader, patron input mechanisms and a customer display to communicate messages relating to the pre-commitment state the patron is in. In certain protocol EGMs (e.g. QCOM) there is an ability to also display patron alert messages on the EGM screen. In other protocols (e.g. G2S) the technology allows pre-commitment messages and interactions to take over a portion of the EGM screen. These types of protocols are still emerging and any early adoption would be costly. It is envisaged these technologies would take some years to evolve, to become common place and enable them to serve as a viable option for a wide area solution.

In each case it is assumed that the pre-commitment facility would be provided in each jurisdiction by a single Licensed Monitoring Operator (LMO) leveraging off the wide area monitoring infrastructure and in-venue cabling already installed. A wide-area capability would prevent patrons from circumventing the system by merely moving between venues once a spend limit is reached in any single venue. Leveraging the central monitoring system and its in-venue and wide area network is undoubtedly the lowest cost pathway to introduce a wide area pre-commitment system. The LMO also has the proven regulatory compliance, project rollout experience and technical capabilities to support the implementation of pre-commitment. LMOs also occupy a position of independence from other industry stakeholders such as venue operators and gaming machine suppliers.

The interaction with the gaming machine is orchestrated under the control of the monitoring system rather than the pre-commitment system so that the existing EGM protocol need not change to allow for the implementation of the technology. Sites would not be burdened with further EGM upgrade/replacement costs. The Monitoring system events are recordable and auditable from the central monitoring system; these events can be viewed together with the pre-commitment system events to create a 'full picture' of the gaming activity that was undertaken in the event of a player dispute or enquiry.

The following provides a high level summary of each State's environment and the issues relating to the introduction of a wide-area pre-commitment system. A significant factor is whether there are existing player loyalty systems already present in the market place and the capability of these systems to be modified to support pre-commitment.

Queensland

Queensland is readily positioned to implement a pre-commitment regime, however it should be noted that Maxgaming can only comment on those venues and machines monitored by it (82% of EGMs) in Queensland. It is unable to comment on the availability of pre-commitment for its competitor LMO.

The QCOM and IGT EGM protocols in Queensland already provide the ability for the LMO to disable and enable machines from the site controller.

Over 18,000 of the 34,000 machines Maxgaming monitors have the Maxgaming player loyalty system installed. There are no third party loyalty systems. The Maxgaming loyalty system is readily upgraded (a software upgrade only - no additional hardware required) to offer *Simplex* and its pre-commitment and self exclusion modules. Maxgaming's *Simplex* system has a built-in pre-commitment mechanism that will disable a machine when a patron has reached their limit while playing with a card inserted.

For venues that have not yet installed the Maxgaming loyalty system (approximately 16,000 EGMs), introducing the *Simplex* pre-commitment system can be achieved with a minimum of disruption at a low cost where only a card reader and screen would need to be installed into the gaming machine and that would interact with the site controller to facilitate pre-commitment.

As previously reported, *Simplex* is operational on 4297 gaming machines and an additional 14,000 gaming machines already have card readers installed for player loyalty purposes. The introduction of pre-commitment to these additional gaming machines would be limited to the introduction of pre-commitment software. The introduction of pre-commitment to other gaming machine sites would be dependant on the installation of card readers and appropriate on-line telecommunication connection. The complete system requirement would be provided to sites on a no upfront cost and a daily fee per machine per day.

The *Simplex* product also offers sites the opportunity to utilise its player loyalty and cashless facilities but Maxgaming realises that some sites are not interested in offering such products to its customer base. With this in mind, Maxgaming is developing a product which offers pre-commitment as a stand-alone product. This will further reduce the cost of pre-commitment to Queensland sites once the card reader has been installed. This development is expected to be complete and available to sites by June 2011.

A cost-effective pre-commitment system could be rolled out to all Queensland gaming machines monitored by Maxgaming (82% of all machines in Hotels and Clubs) within 12 to 18 months of any decision to do so.

Northern Territory

Maxgaming is the exclusive Licensed Monitoring Operator in the Northern Territory and the approved protocol is QCOM.

The current monitoring legislation does not allow for player loyalty and, therefore, no venues currently have card reader hardware or software technology. This is an advantage in the sense that if a decision is made to implement pre-commitment, Maxgaming could implement a uniform single system across all Northern Territory hotel and club EGMs leveraging the monitoring infrastructure.

It is estimated that all machines in this jurisdiction could support a system wide pre-commitment facility by 2013.

Victoria

Current legislative requirements already include a pre-commitment mechanism to be in place on every machine by 2015 and on new machines by 2013. There are currently three gaming machine communication protocols operating in Victoria. QCOM protocol and a version of the VLC protocol are operated by Tatts Gaming while Tabcorp operate a different version of the VLC protocol. While QCOM has the necessary 'real time' meter responsiveness required for pre-commitment, further investigation is required to the variants of VLC to comment of suitability for effective pre-commitment.

The Victorian Government has tendered for an exclusive Licensed Monitoring Operator to monitor all gaming machines by 2012.

The introduction of a state-wide monitoring system could include a pre-commitment system that would be compliant with the Productivity Commission's recommendations within 12 months of the 2012 introduction of the monitoring system subject to a solution to deal with any issues arising from VLC protocol EGMs.

New South Wales and Australian Capital Territory

The X series protocol in New South Wales allows for a multitude of loyalty and jackpot systems to be connected to a gaming machine. Maxgaming understands that up to 40,000 plus EGMs in NSW already have player tracking/loyalty interface devices installed from a multiplicity of system suppliers. While we are unable to comment on the capacity of these existing loyalty systems to support pre-commitment functionality, it may be a viable option to introduce pre-commitment using hardware and systems already in place and initially operate pre-commitment on a venue-by-venue basis.

The X Series EGM protocol is one-directional (host to EGM) however the Central Monitoring System is capable of remotely disabling gaming machines (required to enforce spend limits). While the current monitoring system only retrieves machine meter readings every 15 minutes, Maxgaming's new monitoring technology "Maxsys", which is to be rolled out over 3 years from 2011, will support real time meter retrieval from all gaming machines. The central monitoring system could then be leveraged to support a pre-commitment solution.

In the longer term, a wide-area pre-commitment system could be installed across all existing New South Wales and Australian Capital Territory machines but the roll-out period required for cabling and installation would be significant. It would be expected

that such a state-wide pre-commitment system would use the monitoring telecommunications infrastructure already in place. Such a project could be completed by 2016 if an early decision was made. A key consideration is whether a wide area system would attempt to interface with the range of existing player loyalty systems currently found in New South Wales venues or, alternatively, whether a uniform single system should be implemented within all venues in addition to or as a replacement for the existing loyalty systems.

South Australia

Maxgaming does not have sufficient information on South Australian machine protocols and their limitations. We understand that pre-commitment trials are progressing that offer that State's players pre-commitment and harm minimisation capabilities.

Tasmania

Maxgaming does not have sufficient information on the Tasmanian monitoring system although it is QCOM based. It is suggested that as the State is exclusively monitored and QCOM protocol based, it would be possible to introduce pre-commitment at a similar timeline to Queensland.

National Standards

When a national pre-commitment implementation is investigated there are a number of issues that must be considered;

- There are a number of different gaming machine protocols in operation across Australia and other advanced protocols in development.
- The various EGM communications protocols will have different capabilities to support pre-commitment
- Many venues have already invested in player loyalty/tracking systems featuring a range of system suppliers
- There are a number of varying LMO models in place whereby exclusive or competitive operating structures are in place.
- How will a central database be established and managed to ensure players can not open duplicate accounts and who will be entrusted with player membership data?
- The nature of the machines and the monitoring systems in each jurisdiction affects the practicality and cost of a quick implementation.

With this in mind, it may be appropriate, as well as, time and cost effective to consider a national standard for pre-commitment to be implemented by each jurisdiction over a time frame that recognises the degree of difficulty in execution across the States and Territories.

Maxgaming welcomes the opportunity to provide any additional information required by the Parliamentary Joint Select Committee on Gambling Reform and appear at any public hearings.