Submission

Joint Select Committee on Gambling Reform

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1. Background

Listed on the Australian Securities Exchange, Aristocrat represents more than 60 per cent of all electronic gaming machines (EGMs) in the Australian market and is one of the world's leading gaming technology companies. We are also one of Australia's largest private investors in research and development, as well as one of the largest filers for patents in the country.

Aristocrat also has significant global experience in designing and implementing pre-commitment solutions and welcomes the opportunity to contribute to the deliberations of the Joint Select Committee on Gambling Reform.

Aristocrat offers in-principle support for measures that:

- are proven to reduce problem gambling without unduly impacting the overwhelming majority of recreational gamers, or limiting their choices, amenity and enjoyment;
- foster player empowerment, informed decision making and sovereignty;
- are able to be implemented with a high degree of integrity, both from a technological and legal perspective; and
- are affordable and viable for operators and ultimately consumers and consistent with the vision of a sustainable, vibrant Australian gaming industry.

Aristocrat understands that the Committee is initially focusing its inquiry on 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. This paper seeks to support the Committee in its brief, focusing in particular on technical and game related issues in which Aristocrat has expertise.

2. Executive Summary

Aristocrat believes a pre-commitment system could deliver benefits in encouraging responsible gaming, providing it has high integrity, is practical, affordable and has the support of players and operators.

We further recommend that an opt-in machine-based pre-commitment solution, including standard agreed features, is the best approach to achieve a practical and affordable system in the timeframe established by the Gillard-Wilkie agreement. Under an opt-in approach, EGM players would be able to set spend and time limits if they so choose.

In our view, an appropriately designed EGM-based solution is the most workable in assisting problem gamblers while preserving individual privacy and choice. It could also be available on each EGM, regardless of whether an individual player was a member of any venue-based card program, and irrespective of any loyalty-based hardware or software that may be used by the venue.

Such an approach minimises infrastructure cost for many (particularly smaller) venues that might otherwise be required to install significant networks – for example to support 'card-based' pre-commitment systems.

This option is not dependent on a centralised monitoring system, and would have very high integrity and stability (compared, for example, with system-based or third-party add-on devices).

Aristocrat already has a working prototype of such a machine, incorporating a player 'alarm clock' that enables the setting of a time control and a bank meter to allow players to 'bank' any wins instead of being accrued as playable credits. This product will be entering a field trial in Queensland proposed for the first half of 2011.

The result of this trial, and others, should be taken into consideration in determining the most appropriate features for the Australian market. Whether time and spend control features are effective in reducing problem gaming, and not simply responsible recreational play, remains untested and unproven. It's critical that a robust evidence base be established, and any measures implemented in the interim be subject to review, evaluation – and if necessary, amended – to ensure gaming policy is constructed on the basis of firm evidence.

Aristocrat supports a phased approach to pre-commitment functionality in order to give venues sufficient time to absorb related costs and manufacturers' time to gain regulatory approval for compliant solutions. A phased approach will also allow policy makers to respond to the evidence base as it emerges.

Given the complexity and number of monitoring systems, machine protocols and jurisdictional standards in Australia, we do not believe that jurisdiction-based full pre-commitment systems with centralised monitoring systems are achievable by 2014 – much less the 2012 deadline contemplated in the Gillard-Wilkie agreement.

However, we believe a number of manufacturers would be able to bring to market appropriate machine-based solutions prior to year end 2012 for operators to install as part of their normal machine replacement cycle. This is only possible if clear national regulatory guidance is available by early 2011 and subsequent approvals are expedited. Theoretically, EGM-based pre-commitment functionality could begin to roll out across venues around Australia by the end of next year, and be completed by 2016.

3. Pre-commitment functionality

It is possible from a technical perspective, and given the context of the Australian industry and cultural norms, to introduce well supported and high-integrity features over time that:

- provide all players with the option to determine the time and/or spend they are comfortable with; and
- incorporate a cost of play information display.

There are a number of technical options in terms of introducing such features, however the most appropriate in all circumstances would be an opt-in machine-based approach that

could be phased in over time. Another option is an opt-out machine-based solution in which EGM players must be asked to consider setting time or spend limits prior to the commencement of play.

In either option, the features could include:

- a spend pre-commitment function which gives the player the ability to set a value of 'loss' which upon reaching this value the machine would display notification and the player would be required to make a decision about their continued playing.
- a time function allowing the player to set a playing time limit, requesting acknowledgement of the time threshold being reached.
- Player information displays of nationally consistent messages regarding cost-of-play and gambling assistance, for example.

Aristocrat believes that these features can be seamlessly integrated into the new game development process such that they could become standard in all new game software.

4. Impact on players

As we have flagged elsewhere, the more fundamental question of whether time or spend pre-commitment features are effective in reducing problem gaming remains untested and unproven – particularly in the Australian context.

In conjunction with the Queensland Office of Liquor and Gaming Regulation (OLGR) Aristocrat will be conducting a field trial of a new prototype gaming product incorporating a range of special features designed to promote responsible gaming.

The machine has several player empowerment and pre-commitment features that may be added to the majority of existing, standard EGMs. These include:

- Special messages and animations encouraging players to play responsibly. These are derived from the OLGR's standards around responsible gaming, and also reflect time-of-day to help players keep track of time;

- A time function to help players determine the amount of time they wish to spend playing; and

- A bank meter to allow players to 'bank' any wins instead of being accrued as playable credits.

The trial will be conducted by Aristocrat and university researchers under strict parameters and probity rules established by the OLGR.

We expect the trial will contribute valuable insights and increase the evidence base available to industry and policy makers around the effectiveness of various game features. Particularly as we consider the options for implementing an effective national pre-commitment system, such practical insights and 'real life' data will be timely and helpful.

From Aristocrat's perspective, we will apply any lessons learned to refine our pre-commitment products and technology, in order to maintain our industry leading position in this important field. We expect the results of the trial will be available in the second half of 2011. Again, it is critical that these results and the findings of other research be taken into consideration in determining the most appropriate features for the Australian market.

5. Implementation

In its report, the Commission recommended a staged approach to the introduction of pre-commitment. Aristocrat supports this approach as previously outlined.

In recommendation 10.5, the Productivity Commission recommended that state and territory governments should implement a partial pre-commitment system by 2013. The Commission also recommended (10.4) that each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines by 2016, subject to initial development, trialing and compatible monitoring systems.

However, as a result of the agreement between the Gillard Government and Mr Andrew Wilkie MP, we understand that the proposed timeline for the introduction of partial pre-commitment has been brought forward to 2012 and full pre-commitment to 2014.

Aristocrat flags the following as key considerations with respect to the implementation of each recommendation.

5.1 Partial pre-commitment

In its recommendations on partial pre-commitment the Commission's view was that states and territories should implement pre-commitment where they have compatible gaming machine monitoring systems and associated gaming machines, or other low cost ways of delivering such pre-commitment. The Commission recommended that such a partial pre-commitment system should allow players to set binding limits in all venues within a jurisdiction, and to see their transaction histories, but with enrolment in the system being voluntary, so that there would be no requirement that people have a card or identification device.

A voluntary identification solution (card-based) is achievable within the desired timeframe but only for those venues with existing fraternal or venue-based gaming management systems with a common centralised member database. Initially this would be venue based and not be a jurisdictional solution, due to the absence of a jurisdictional network for independent systems. This solution would exclude or create significant additional costs for smaller venues that do not have the required gaming management system.

A more immediate form of partial pre-commitment could be achieved within the time frame via a machine-based approach utilising the 'in machine' pre-commitment features described above. Further, a machine-based approach would remove the need for every venue to install a card-based loyalty system. Moreover, this functionality would be available to every player on every gaming occasion, not just to those who have and are willing to use their member card.

In summary, a partial pre-commitment solution would be relatively straightforward to implement via existing venue gaming management systems (if present) and/or standardised machine-based functionality. Both of these alternatives could be rolled out in market from late 2012, subject to the swift development of appropriate standards and regulatory approval. However, a machine-based approach would deliver a more consistent solution in market with the imposition of fewer incremental costs on industry.

5.2 Full pre-commitment

The Commission recommended that a full pre-commitment system include:

- the identification of all players (except for occasional gamblers making small bets) but with strict privacy arrangements; and
- a system that applies to all machines and venues.

In Aristocrat's experience, these requirements can only be met through a personal identification device, most commonly card-based. The detailed design of these systems is, however, critical to ensure a competitive, high-integrity and player-friendly outcome that minimises cost. Subject to our comments above on machine-based features, if a card-based ID system was to be implemented it must:

- apply over a wide area/be fraternal;
- increase the level of regulatory certainty and harmonisation across states;
- be built to an open protocol and exploit existing protocols as fully as possible;
- include a central monitoring and management system;
- have a facility for immediate secondary card issue in the event of lost or damaged cards;
- be fully deployed with all infrastructure in full in every venue, connected to every EGM type;
- interface intelligently with game play for maximum relevance and player amenity, and to avoid disputes around interrupted free games, jackpots and the like;
- have privacy controls and limitations; and
- be mindful of the invasive nature of third-party equipment that can potentially cause the machine to malfunction.

While the core technology to deliver such a system is available, further development and tailoring would be required to suit the Australian market. Relevant factors include Australia's multiple machine protocols, differing jurisdictional standards and the large number of tourists visiting hotels and clubs in many regions. This would also involve a significant investment of time, testing and financial resources on the part of manufacturers, but a more significant delay could stem from varying state requirements and approval processes. A consistent national approach would need to be mandated immediately for the 2014 date to be even theoretically achievable, putting aside differing state approval processes and the political and bureaucratic complexities involved in forging a national approach.

6. Cost

It is difficult to calculate the firm cost of implementing any machine or systems-based solution until the full details around what is to be introduced, when and how, are available.

However, it's almost certain that a phased-in machine based approach would cost significantly less than the systems-based alternative, as operators would not be obliged to upgrade their machines as well as install new networks and systems capability.

7. The path forward

In view of the full range of circumstances, Aristocrat believes the following represents the most practical, cost-effective and realistic timeline towards achieving a high-integrity pre-commitment system in Australia:

- Progressive phase-in of machine based pre-commitment functionality from late 2012, based on age and technology obsolescence.
- Research of pre-commitment features for their salience and effectiveness and in reducing problem EGM gaming by 2013, with results fundamental to the Productivity Commission review in 2014.
- Agreement to national protocols/standards and regulations around machine-based pre-commitment features.
- Staged roll out of an EGM based pre-commitment system completed by 2016 in line with accelerated machine replacement cycles.

This timeline allows for the effective introduction to market of an appropriate pre-commitment solution, with full coverage by 2016. Critically, it also allows for the results of this proposed reform to be researched, so that any further reforms may be grounded in evidence and be more effective in reducing problem gambling.