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WORLDSMART TECHNOLOGY PTY LTD

SUBMISSION TO THE

INDEPENDENT GAMBLING AUTHORITY

***Review 2006
Regulatory Functions***

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WorldSmart Technology Level 2/50 Greenhill Road, Wayville SA 5034

☎ 618 8373 6477 ☎ 618 8373 6488 ☎ www.worldsmart.com.au

Worldsmart Technology Pty Ltd.

Background

Worldsmart is pleased to make the following submission to the Independent Gambling Authority's Review 2006 – Regulatory Functions. We restrict our submission to the proposal in relation to Loyalty Programs.

We have previously presented to the Authority and we respectfully ask that the Authority adopt our previous submissions as part of this Review. In particular we refer to our submission in response to the Consultation Document released on 1 November 2002, our oral submission on 11 December 2002, our letter dated 31st March 2003 where we refer to the research conducted by New Focus and to the results of that research.

In addition to the material submitted as part the Inquiry into the Codes of Practice, we would also ask the Authority to adopt part of our submission to the Inquiry into Smartcard Technology where those submissions relate to Loyalty Programs and the Worldsmart system.

By way of introduction to this submission we would submit that the starting point for discussion referred to in Appendix 4, item 6 Inducements and loyalty programs, namely *"The codes should prohibit all forms of inducements to gamble on gaming machines in hotels and clubs (including formal loyalty programs)"* should be reconsidered.

The banning of loyalty programs without proper supporting evidence, which we submit is not before the Authority, at this time is, as The Hon AJ Redford said,

*"...to throw the baby out with the bath water, and I indicate to the Hon Nick Xenophon that at this point in time I will not be supporting moves to remove any loyalty schemes, because that technology may be very useful..."*¹

Loyalty Programs

Our previous submissions have outlined the importance of loyalty programs to business generally. The New Focus Research supports the view that 99% of the population think the people of South Australia have the right to choose if they belong to any loyalty scheme.²

¹ Hansard Legislative Council - 24 November 2004

² *Key Findings paragraph 4.5 page 8 New Focus Research – Research for input into the Independent Gambling Authority Submission – Prepared for Worldsmart Technology and Jackpot Club February 2003).*

It is our submission that the technology utilised in a number of electronic loyalty systems in this State is capable of offering a range of measures to people who play gaming machines. These measures include the ability to set limits to enable them to manage their own expenditure, the amount of time they choose to play, and if required, access to information on their expenditure through Player Activity Statements.

We would submit that the availability of these systems together with the functionality that they provide should be properly considered and evaluated rather than merely banning their use. Imposing a ban would significantly impact on recreational gamblers and is not justified without evidence or cogent information that such a ban will assist in reducing or minimising problem gambling

We are aware that individual stakeholders have recommended that loyalty programs should be banned, however, with the greatest of respect to those submissions it is not evidence that loyalty programs either cause or increase incidents of problem gambling.

Furthermore, we submit that by banning loyalty programs without properly evaluating how the technology can be used to assist in managing the incidents of problem gambling would be counter productive. A voluntary program attached to a loyalty system which allows those who want to manage their gambling, is in our submission, preferable to taking away what may be a very useful tool for individuals who want to take responsibility for their own behaviour without depriving others of their rights.

To support our submission we repeat a portion of the submission that we made to the Smartcard Inquiry (March 2005)

Worldsmart's loyalty system has been tested and well proven in over 90 licensed gaming venues (approximately 3600 gaming terminals) in South Australia participating in the Jackpot Club, a franchised loyalty program that currently has over 270,000 smartcard cardholders in South Australia and a further 52,000 smartcards in Queensland. The vast majority of these cards are capable of supporting pre-commitment functionality.

Worldsmart is responsible for providing the loyalty system, reporting services, management of databases, privacy and audit compliance (including funds management). It manages the hardware and card supplies, ongoing system development and enhancement, terminal maintenance, venue and cardholder support services.

Worldsmart continues to modify and enhance its product to take advantage of the rapid advancements in technology. Future cards will incorporate a number of separate technologies on the card. These include, contact applications (requiring the card to be inserted into a card reader), contactless

or "proximity cards" (where the card is held near a reader) and magnetic stripe cards (less secure, basic functionality, limited storage capacity). The primary reason for including all three technologies on the one card is to enable greater options for cardholders, and enables a Worldsmart card to be used in a range of terminals, including existing proprietary systems that may have been installed, without the need to replace costly hardware, or extensive database conversions.

In addition to the smartcard system utilised in the Jackpot Club, Worldsmart is the provider of a "standalone" magnetic stripe system which is installed in an additional 40 gaming venues in South Australia, (Approximately 1600 terminals). Much of the functionality to be addressed in this submission is capable of being deployed onto the magnetic stripe system without the need for those venues significantly changing their existing systems.

There are some limitations of those magnetic stripe systems, including the need for cardholders to have venue specific cards and those venues may need to be connected to a central database, which is not currently the case. However, the ability for cardholders to make pre-commitment decisions and detection of excluded persons will be available.

All gaming venues utilizing the Worldsmart smartcard system have a gaming terminal, either installed near each gaming machine or installed into the gaming machine cabinet. These terminals are capable of "post loading applications" to the cards without the need to recall cards. It is the application of this technology which in our submission provides a degree of flexibility enabling the Worldsmart system to respond to the ever changing requirements of the market, and importantly the Regulators.

Each terminal is connected to an on site host computer which is connected to the Monitoring System (Independent Gaming Corporation (IGC)) via the site controller. The host computer is connected via modem to the Worldsmart mainframe computer. The host computer collects and stores all transactions from participating venues. The system is not required to be on line and the smartcard stores relevant information, including specific rules set by the cardholder. Therefore, any rules set will be applied to each venue in which the smartcard is presented, regardless of whether the data has been updated via the back end system.

The Worldsmart system communicates with each venue on a daily basis. At that time transactional data is collected, membership databases are updated, cards locked, new applications downloaded and a variety of security checks implemented.

Limits of this submission – South Australia

The model presented in this submission is based on the current understanding of the limits of the existing gaming machines and monitoring system and utilizes the existing platform that is part of a very robust loyalty system, to deliver what could be one of a number of different solutions aimed at reducing the incident of problem gambling.

The current constraints on the communication protocols in place in South Australia prevent gaming machines from being switched off or disabled, except by IGC through the site controller. This prevents or limits messages being displayed on gaming machines and limits a range of other options which may be considered as useful harm minimisation measures.

The Worldsmart system overcomes these limitations by not communicating directly with each gaming machine. The system collects data via the site controller and matches the transactions on each machine to the terminal at or in each gaming machine. It then writes to the smartcard inserted in the terminal. This data transfer is real time and enables accurate recording of data. Worldsmart has developed a number of applications to enable communication to various monitoring systems without interference or modification of the monitoring system. The Worldsmart data cabling allows for both data transfer and power supply for all terminals and is isolated from the monitoring systems and gaming machines. Communication is between the monitoring system and the Worldsmart system and therefore it does not matter what type of gaming machine is being used, or what communications protocols are being used.

Pre-Commitment

The Worldsmart system enables individual cardholders to place limits on their cards. Those limits can be personalized and will result in messages, visual and audible at the smartcard terminal, at or in the gaming machine.

In the cashier area of the gaming room a computer screen displays, in real time what is happening at each terminal. The cashier can see what cards are in play, any messages being displayed on the terminal, any requests for assistance and a range of other management tools which enable the staff member to react and address any issues as they arise. The cashier is also able to communicate directly with the terminal, at or in each gaming machine.

A cardholder who has placed limits on their card plays the gaming machine by the insertion of coin. However, once any pre-set limits are reached, a series of visual and audio warnings are given. The warning messages are displayed on the terminal and can be personalized, subject to some restrictions. If the cardholder has set time or expenditure limits the information is stored on the

card. If the player moves between machines those limits will still apply. In addition the smartcard system enables the cardholder to move between venues and use the same card at all participating venues with the same limits applying to each venue, including taking account of that day's gaming activity at other venues.

A range of options have been included into the current system. These limits are not the only limits that may be included, they are only an indication of what might be required or seen as desirable with the current limitations of the South Australian gaming machines and monitoring system.

Cardholders can pre-select a series of options, they include:

Expenditure related

- *Maximum wagered, (per game, per session, per day, per week)*
- *Maximum net expenditure (wagered minus wins) per session, per day per week.*

Time related

- *Maximum minutes per session and if limit exceeded, minimum time period before play can resume (forced break)*
- *Maximum hours of play, per day, per week*
- *Lockout periods*
 - *Exclude any hour or time range for each day of week*
 - *Exclude any day of year*
 - *Exclude reoccurring dates (e.g. paydays, pension days - every second week on Thursday etc.)*

Warnings and messaging

- **Ability to set personal warning message and when they are to appear, (up to five messages – 16 characters) (e.g. when 50% of session limit reached, 60% of daily limit, 80% of weekly limit) Configurable from 1 to 100%. These messages are tagged to any of the above restrictions.**
- **Ability to request terminal to display session total dollar wagered and actual machine return to player.**
- **Ability to set visual and or audible indicators when limits exceeded, or percentage of limits reached.**

Cooling off periods

- Ability to set time period during which an increase in limits is prohibited
- Ability to require third party (e.g. Welfare Counsellor) intervention before any increase in limits is permitted.
- Ability to opt in or out of any loyalty program.

Rules for Engagement

Cardholders have the option of setting initial limits either at the time of enrolling for a card, or at any subsequent time.

At time of enrollment the application form is completed and the limits written to card as part of the enrollment procedure.

At any subsequent time, the cardholder can present the card to any cashier terminal and have the limits added or varied, subject to any restriction on increasing the limits that may have been imposed previously.

Alternatively, a secure web page can be made available for the cardholder to log onto and modify any limits. The web server updates the information in the Worldsmart database and then broadcasts those limits to all terminals in the system. Provided the information is downloaded, the next time the card is inserted into any terminal the limits set by the cardholder will be updated onto their card.

The system does not require all cardholders to set limits and as such provides for the recreational gambler to participate without restriction. The recreational gambler will still be able to avail themselves of the option of imposing limits at any time.

Card Issuing

Cardholder can be issued the card on request. A customer completes an application. Some form of identification is sought. The form of identification presented is recorded. The staff member will then enter the customer's name into the venue host computer. The most common form of identification used is a photographic driver's licence. However, any form of identification can be used.

As part of the daily download process, Worldsmart receives the daily enrollments from all venues and updates the database. The updated database, in an encrypted format, is broadcast to all participating venues.

As part of the enrollment process, the system will search the database and will determine if any other cards have been issued in that name. This process interrogates the entire database. A series of stored procedures have been included into the enrollment process that verify names, addresses and dates of birth. This is done without the staff member having to manually perform the process. The stored procedures are protected and cannot be interfered with at venue level. If other cards exist, the staff member is prompted to verify and cross check identification.

At venue level, staff members only have access to the cardholder's details if they enrolled at that venue. They are only permitted to use that data in accordance with the consent given by the cardholder. Staff at a venue cannot access personal information stored at other venues or in the database at Worldsmart.

Once the card is enrolled, the cardholder is issued with the card together with the terms and conditions. The card is then available for immediate use. Enrollment procedures typically take less than five minutes.

A similar process is used for lost cards. If a cardholder reports a card as lost, that information is broadcast to all venues as part of the next download of data and the card is locked. A replacement card can be issued once the lost card is locked. Any limits or rules that the cardholder had imposed on the previous card are transferred to the new card via the encrypted database and does not require the cardholder to re enter the limits or rules, or for the staff member to interpret those limits or rules.

Exclusions

The current loyalty system operated by Worldsmart allows for all venues to receive broadcasts of all locked or excluded cardholders. Once Worldsmart is notified that a person has been barred or excluded, it broadcasts to all participating venues that a card issued to that person is locked. If the person who has been excluded presents a card at any gaming machine, the terminal will display a warning message, and the cashier terminal will receive a corresponding message and audible sound to alert the staff member. This allows the staff member to address the issue immediately with the cardholder.

The centralized database ensures that cardholders who are excluded can be removed from any mailing lists associated with any participating venue.

Protect privacy of player details

Worldsmart has implemented, and complies with the current Privacy Principles. It is part of the approval granted by the Liquor Licensing Commission in South Australia that Worldsmart does not engage in player tracking. Accordingly, it has not been possible for individual hotels or clubs

participants in the system to monitor or track the behaviour of individual cardholders.

Individual venues are not provided with actual spending habits of their customers. No information is provided on individual cardholder activity that occurs outside of a particular venue.

The system however, does record and store every transaction where a card is used. Cardholders are given the option, in accordance with the Privacy Principles, to opt out of receiving information from the venue or from Worldsmart. In those cases, their transactional data is collected, but the use of their personal information is limited to demographic information. For example, their age, gender and postcode details are used without their identity being disclosed. Their transactional data is stored for audit purposes and to assist in resolving disputes should they arise.

Worldsmart is able to identify the individual, but is prevented from disclosing the identity without consent, or only in accordance with the requirements of the Privacy Principles.

The current system complies with the Privacy Principles because it enables each cardholder to consent to the use, or restricted use of their personal information. If however, the system were to be mandatory, then the Privacy Principles would prevent personal information being collected and stored without the cardholder's consent.

Worldsmart would be prevented from providing the personal information to any other person, and it may prevent Worldsmart broadcasting names and addresses, even in encrypted format, to all venues however, the cardholder could still impose their own limits and use the card anonymously.³

Player Activity Statements

As mentioned earlier, the Worldsmart system records all transactions when a card is used, it is therefore possible to provide cardholders with information about their expenditure. Arguably, this functionality could be assessed as an "informed choice measure".

Cardholders who use our system will be able to obtain a record of all their gaming machine activity in all participating venues. The information can be obtained confidentially by the cardholder through Worldsmart's database. The request would be made to any participating venue and made available within a set time frame.

³ Worldsmart Technology Pty Ltd Submission to the Independent Gambling Authority Inquiry into Smartcard Technology March 2005

Player Activity Statements are currently available in a number of jurisdictions but could not be produced without some form of recording mechanism. Loyalty programs are an ideal method of making this type of information available for those cardholders who require the information.

Other considerations

We premise our argument on the basis that gambling is a legal activity and that adults have the right to choose to participate in that activity. Those that do participate have the right not to be impacted by undue regulation or arbitrary restrictions. They also have a right to participate in loyalty programs:

An overwhelming 99 percent of both J Club members and the general public sample, think the people of South Australia have the right to choose if they belong to any loyalty schemes. When you extrapolate this figure out for the general public sample, and taking into account the statistical error margin for this sample size, this equates to between 1,008,230 and the entire Adelaide population supporting this right to choose⁴.

We also recognize that those who provide a gambling product have an obligation to do so in a responsible and safe manner. But they should not be forced to introduce measures that significantly impact on the majority of their customers who gamble responsibly.

The previous material, presented by Worldsmart to the Authority found that:

“Seventy-one percent of J Club members and 77% of the general public stated that the ability to restrict their length of play and amount spent on gambling through the card was a good idea.

Forty-five percent of J Club members and only 21% of the general public stated that they would use this feature of the program.”⁵

If the only purpose of the card is to play gaming machines and each card has mandatory limits imposed it will not be used. It is our experience in managing over 300,000 cards that the more opportunities and benefits that cardholders are given, the more likely it is that they will use the card. Our current system allows the cardholder to use the card in a range of locations. It is not just a gaming loyalty card. There are restrictions on where loyalty points earned in gaming can be used, and we prevent points earned outside of a hotel or club from being redeemed in gaming areas. However, a card that enables cardholders to decide what they will do with the benefits they receive is, in our view, more likely to be used and more so if that card enables them to set their own limits if they want to use that functionality.

⁴ Worldsmart Technology Pty Ltd Submission to the Independent Gambling Authority Inquiry into Smartcard Technology March 2005 – Page 8

⁵ Worldsmart Technology Pty Ltd Submission to the Independent Gambling Authority Inquiry into Smartcard Technology March 2005 – Pages 16 & 17

We acknowledge that there will be a level of skepticism about using a loyalty system to deliver potentially positive results for those who choose to use the system. However, we argue that it would be inappropriate to ban loyalty programs simply because some stakeholders consider that participating in loyalty programs may increase the incidents of problem gambling.

In previous hearings we have offered to provide a mechanism whereby Worldsmart would remove cardholders from the centralised database managed by Worldsmart. This process will ensure that all cards that the person may have will be identified and removed and will also provide one central point of contact for both the Concern Sector and the Authority.

It has been suggested that the Privacy Act prevents such course. We argue that the Privacy Act allows for any person to consent to their personal information to be used with their consent. It is our submission that provided the cardholders consent is obtained, either the Authority or members of the Concern Sector would not be prevented from contacting Worldsmart and requesting the deletion of the cardholder from the database. Presumably patrons who are currently seeking to be barred or excluded from premises consent to their photographs being distributed and consent to their personal details being provided to the Liquor and Gambling Commissioner.⁶ It is therefore highly likely that they will consent to their names being removed from the loyalty database.

The advantage of using a centralised database is, the capability of cross checking to ensure that all cards the person may have are cancelled and ensuring that the person who has been barred is removed from all databases within the Worldsmart system.

We conclude this submission by repeating that the banning of loyalty programs would be a significant infringement of the rights of responsible gamblers.

The need for such infringement appears to be premised on the basis that around 2% of the gambling population must be protected. We acknowledge that the 2% need to be assisted, but it should not be done at the expense and inconvenience of the 98% of responsible gamblers, particularly when the current loyalty system operated by Worldsmart Technology can be used to assist them in setting their own limits and use the system to gain information which may assist them in managing their gambling behaviour.

Worldsmart is committed to developing a range of applications relating to smartcards. Our experience in loyalty and gaming applications now make us the largest smartcard based loyalty program operating in Australasia. We also believe that the product that we have developed can be used as one of

⁶ Condition (x) Attachment B of all Gaming Machine Licences

the measures that may assist problem gamblers. We acknowledge the failings of a voluntary system, but believe that a voluntary system has more likelihood of succeeding. It is also less likely to receive the significant public backlash from those who already gamble responsibly.