



SUBMISSION TO

**THE INDEPENDENT GAMBLING
AUTHORITY**

**INQUIRY INTO SMARTCARD
TECHNOLOGY**

21 March 2005

Introduction

The AHA(SA) is pleased to have the opportunity to provide its submission to the Independent Gambling Authority's Inquiry into Smartcard Technology.

The Authority has been asked to identify how Smartcard technology might be implemented with a view to significantly reducing problem gambling. Specifically, the Authority must consider and identify available and practicable technologies that may be available to facilitate:

- (a) the setting of limits on gamblers' use of gaming machines, for the purpose of minimizing or reducing the actual or potential harm to themselves or those who are dependent on them ; and
- (b) the exclusion of particular gamblers (whether voluntary or otherwise) from access to gaming machines or from the ability to play gaming machines.

The AHA(SA) has serious concerns regarding regulatory frameworks, costs of gaming machine conversions, privacy issues and industry sustainability. Furthermore, we are very concerned that the Authority has stated that it would not be practicable, in the available time, to commission independent external research to inform the inquiry process. It is alarming that the Authority could consider recommending intrusive Smartcard technology without proper research when such technology has not been proven, and has certainly not been seen to assist problem gamblers.

Our industry introduced a voluntary Code of Practice in the mid 1990's and has been subjected to a series of inquiries since November 2002 which have resulted in the introduction of mandatory Codes of Practice in April 2004 and the imminent introduction of a second stage of Codes of Practice. Legislation is now in force to reduce the number of gaming machines in the hotel gaming industry by 3,000.

There has been no attempt to measure the effectiveness of the Codes of Practice which are so vague that a consensus of their interpretation has not been reached between the Authority, the Liquor and Gambling Commission or the hotel industry. The gaming machine reduction strategy is intended to impact on problem gambling and its effectiveness will not be able to be measured for some time. The introduction of Smartcard technology would be premature and it would impose a significant and unjustifiable burden on the industry.

We acknowledge that Parliament gave the Authority 6 months to complete its inquiry, but the AHA(SA) urges the Authority to seek an extension of time from the Minister to enable proper research to be conducted and to allow sufficient time to assess the effectiveness of the Codes of Practice.

The AHA(SA) has demonstrated its determination to reduce the incidence of problem gambling by launching an early intervention strategy which is a cost effective and practical way to deal with this issue. It will assist in the detection of problem gambling and ensure that problem gamblers receive appropriate

and timely counselling. Our initiative has been embraced by the welfare sector.

For all of these reasons, which are expanded below, we are fundamentally opposed to any form of Smartcard technology in relation to harm minimisation strategies.

SA Hotel Industry Profile

The hotel industry in South Australia is one of the State's largest industries. We employ in excess of 24,000 people, with many thousand employed indirectly in ancillary industries. Over 4,400 of these jobs have been created as a direct result of gaming. Our annual support to charities, sport/community groups is in excess of \$9 million. (*Figures obtained from McGregor Tan Marketing Data*).

Regulatory Frameworks

Gambling is a legitimate recreational activity. Consequently, responsible gambling initiatives should have the specific effect of preventing people at risk from becoming problem gamblers in the first instance, and assisting problem gamblers in the second. From this perspective, initiatives should not reduce the level of gambling among recreational gamblers. Indeed, from a commercial perspective, the long term viability of the gaming industry is based on the need to promote responsible gaming among recreational gamblers while simultaneously reducing the risk of people developing problems and the rate of existing problem gamblers. It is therefore important for people to have a choice and not have mandatory restrictions placed on their recreational activities.

Machine Conversion

There are over 12,000 gaming machines in hotels and clubs in South Australia, and a number of companies throughout Australia have developed Smartcard systems. It has been suggested that the cost of converting gaming machines to incorporate Smartcard technology will be approximately \$1,500 per machine. However, that cost only relates to the basic card reader components. A 40 machine venue which has already had to suffer the consequences of having 8 machines confiscated as a result of the recent changes to the gaming legislation will incur costs of at least \$48,000 for the card readers alone. Therefore, conversion would cost the hotel and club gaming industry well in excess of \$20 million. This will impact even more on smaller venues. Smartcard technology will be ineffective if gamblers reject it and participate in other forms of gambling, and accordingly significant costs will also be incurred for the TAB, SA Lotteries and SkyCity Casino.

In 3 years there will be a complete monitoring system upgrade, in our belief including site controllers, but we do not yet know what type of system will replace it. It is the view of the AHA(SA) that the period leading to the system upgrade is an appropriate time during which the current harm minimisation initiatives can be properly assessed.

Privacy Issues

Smartcards allow individual playing habits to be tracked and documented in detail, revealing personal spending traits and use of leisure time.

Privacy laws will impact on the way personal information is handled and stored. Under these laws, automatic electronic systems should look at ways of NOT collecting or recording information that can be linked to an individual. Furthermore, individuals must have the option of not identifying themselves when entering transactions with an organisation, whenever this is lawful and practical. Electronic tracking of an individual's spending, for example, becomes personal information if it is retained. Organisation would therefore need to inform the individual that the information has been collected, explain how it is being used and secure informed consent from the individual.

Clearly, Smartcards raise a number of serious privacy issues. The Privacy Commissioner, in his paper titled *Smartcards: Implications for Privacy*, states that the privacy issues generated by Smartcards may be complex and will vary depending on the particular application. He reported that "the development of a privacy sensitive solution for each Smartcard application will depend on a number of factors: who has access to the system, whether the system serves one purpose or a number of different purposes, the sensitivity of the data, the system's degree of centralisation and the volatility of the data being held on the card itself or stored in the Smartcard system. As a Smartcard system becomes more open (that is, accessible to more participants), as the number of applications available on a single card increases or as the data on the card becomes more sensitive, identifying and resolving the privacy issues becomes more important. For example, an open system will have more participants making it more difficult to monitor; a multiple application card raises issues about the integrity and security of the data stored for each application on the one card."

The AHA(SA) distinguishes between loyalty systems where information is maintained by the venue with the consent of the member, and mandatory Smartcards where gamblers do not have a choice as to whether or not their personal information is collected and interrogated without their consent.

Alternative to Technological Intervention

The terms of reference for the inquiry make it clear that the Authority must consider the introduction of Smartcard technology for all gamblers, but with a view to fixing limits on the amount of expenditure on "problem" gamblers in order to minimise or reduce the actual or potential harm to themselves or those who are dependent on them. As a result, 98% of gaming patrons will be inconvenienced, and some will cease using gaming machines entirely, so that 2% of gamblers can possibly have their spending limited. The detection of a "problem" gambler is far from an exact science. It is impossible for anyone to make a judgment as to when there is an actual or potential harm to all persons as a result of gambling. Not all gamblers will display the "obvious" signs, and unless those people acknowledge the problem themselves and ask for limits to be placed on their Smartcard, the technology will fail them.

The AHA(SA) believes there are more effective and superior ways than the introduction of an expensive interventionist player tracking system.

The AHA(SA) has launched an early intervention strategy to assist in the detection of problem gambling and to ensure that problem gamblers receive appropriate and timely counselling. It is intended to engage additional responsible gambling officers who will be linked to specific regions across the State. The provision of these officers is the most appropriate way of dealing with problem gambling. This is particularly so because some counselors advocate that problem gamblers should not be barred from gaming venues but should be gradually weaned of their compulsion to gamble. It is the AHA's view that our early intervention strategy will be a far more effective tool to deal with problem gambling, will not impact on the enjoyment of gaming by the recreational gambler and tourists, and will therefore ensure the economic viability of the gaming machine industry and clearly demonstrate that it is also socially responsible.

Maintaining a Viable Gaming Industry

Section 11(2a)(b) of the Independent Gambling Authority Act 1995 now requires the Authority to "act consistently with the object of maintaining an economically viable and socially responsible gambling industry (including an economically viable and socially responsible hotel and club gaming machine industry) in this State." The AHA(SA) strongly argues that the cost to the industry of introducing Smartcard technology, together with the impact that it will invariably have on recreational gambling across the State, will seriously impact on the economic viability of the gaming machine industry. We therefore submit that the Authority put itself at risk of breaching its obligations should it recommend the introduction of Smartcard technology.

The Need for Research

The Report of the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) released in June 2004 commented that although there was sufficient evidence, or stakeholder consensus, to suggest that pre-commitment measures have the potential to be effective, it did not support their immediate introduction. IPART was not aware of any specific research on the effectiveness of pre-commitment mechanisms or smart cards. It referred to a submission from the University of Sydney Gambling Research Unit that without evidence it is premature to speculate about the potential of pre-commitment cards, and that a voluntary pre-commitment may not be effective for problem gamblers who tend to become more strongly convinced that a major pay out will soon occur, but that it may well be effective for regular, recreational players. IPART concluded that there is not sufficient basis to recommend the mandatory use of these measures and suggested that research on the effectiveness of pre-commitment or Smartcards should be a high priority, and ideally this research should be done on a national basis. This approach is endorsed by the AHA(SA).

The Ministerial Council on Gambling has established a National Gambling Research Program which is conducting a 2-phase research program on pre-commitment schemes. This has just commenced and involves an analysis of gambling consumers' pre-commitment behaviour and the effectiveness of pre-

commitment strategies. This research will be on-going, and the AHA(SA) submits that it will be premature to make any decision in relation to the introduction of Smartcard technology which may pre-empt any recommendations of the Council.

An examination of empirical data (for example the articles by Nerilee Hing (2004) in NSW and the report of Focal Research (2004) in Nova Scotia) highlights the need for proper research to be conducted to evaluate the effectiveness of a range of harm minimisation initiatives that may be expensive to implement but result in a negligible impact on problem gambling.

It is therefore very disturbing to read in the Authority's guide for making submissions to the inquiry that it "has also decided that it would not be practicable, in the available time, to commission independent external research to inform the inquiry process." Any decision, therefore, to recommend the introduction of Smartcard technology to achieve the aims of the inquiry will be based on assumptions which, for the reasons advanced in this submission, will result in a significant financial impost to the gaming industry while the major beneficiaries will be those companies which sell and promote the technology. The manner in which technology presentations conducted their presentations at the Inquiry clearly conveyed the impression that they were competing with each other to promote their own technology. The AHA(SA) strongly makes the point that assumptions made by the technology presenters should not be regarded by the Authority as research, nor should our industry be used as a test case to trial their assumptions.

Conclusion

The AHA(SA) has an outstanding track record in promoting responsible gambling and is also at the forefront of promoting harm minimisation. Commenting on the AHA(SA) Early Intervention Agency which was publicly launched on 15 March 2005, Mr Mark Henley, Chair of the Heads of Churches Gambling Taskforce, said "The Early Intervention Agency is a constructive and proactive approach that will lead to a reduction in problem gambling in years to come."

However, economic sustainability is a component just as necessary to the industry's objective mix as harm minimisation. Given this, and the absence of any proper research into the effectiveness of Smartcard technology as a harm minimisation strategy, or its impact on the recreational gambler, we see a contradiction in achieving the dual goals of sustainability and harm minimisation with this new technology. Therefore, based on the assumptions made to date, the AHA(SA) is unable to support the exclusive and mandatory implementation and use of Smartcard technology for gaming machines.