



SmartCard Inquiry

The Churches Gambling Taskforce presents this submission to the Independent Gambling Authority with a focus on the outcomes that can be achieved by 'smartcard' technologies to reduce the harm of problem gambling. We also consider implementation questions, at a Statewide level. (We note that we do not have detailed technical expertise and so make no differentiation between various technology providers, rather we discuss the outcomes that technologies can achieve.)

We understand that various companies will be making submissions to the IGA on the more technical aspects of this inquiry. The Authority will be able to make its own determinations on the relative merits of competing technologies, we are not advocating any particular company, technology or process.

Central to the current Inquiry is the Taskforce understanding that technology based strategies are able to significantly reduce gambling harm. The core questions therefore are not about the relative merits of different technologies, rather about the harm reducing outcomes that the technologies can help to achieve.

We note the following "the General Scope" term of reference

- 1.1 *The Authority must identify how Smartcard technology might be implemented to with a view to significantly reducing problem gambling.*

We have taken the term "smartcard" to be a generic term for a range of computer based technologies that are capable of assisting with achieving different harm reducing outcomes. We understand a 'smartcard' to be any easily transported device that includes data storing and processing capabilities.

There are two core outcomes that the Taskforce understands can potentially be assisted with technology, these being:

- Assisting to enforce barring provisions by identifying patrons
- Enabling pre-commitment and associated schemes

Assisting to Enforce Barring provisions

We first consider specific issue 2.1 (b) :

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The Authority must consider and identify available and practicable technologies that may be available to facilitate the exclusion of particular gamblers (whether voluntarily or otherwise) from access to gaming machines or from the ability to play gaming machines.

We suggest the following goal as a useful starting hypothesis to consider this issue:

Taskforce Goal

To enable venues to be 100% effective in identifying barred customers in their gambling areas

Note that while there has been some criticism of barring as a harm reducing strategy, the Taskforce believes that it is an essential component of a set of strategies that will, in combination, reduce gambling harm. We are aware that for some people with gambling problems, going through the process of barring will ensure that they do not gamble while barred. Others, however, will seek to get around the bar, creating a greater responsibility for venues. The Taskforce is adamant that the attempts by some customers to get around barring, in no way reduces the responsibility of venues to be vigilant in early recognition of any barred customers in their venue. Nor do we absolve barred people of their responsibilities.

Current System Implementation

Irrespective of which of the three current exclusion schemes are invoked, venue barring, voluntary barring or family protection order barring, each approach relies on photographs being displayed in the venues from which a person is barred.

Then the current system relies on a member of staff (potentially) being able to identify barred customers who may be regular customers or may never have visited the venue before. The industry has argued that this makes current barring arrangements very difficult to implement.

For these reasons technology-based strategies are seen as a potential mechanism to increase the ability of venues to identify barred patrons.

Technology use to Identify Barred Patrons

We understand that biometric technologies are considered to be the most likely to be useful in identifying barred patrons, the options include:

- Facial recognition
- Finger print / hand scan
- voice recognition
- Iris scan

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In theory, biometrics can be applied at individual poker machines or at an entrance to a gaming venue, the latter option being the cheaper.

We are aware of some trials of biometrics that are currently underway in public venues, arguably the most significant being the trial of a facial recognition system, "SmartGate", at Sydney airport.

We understand that the trial to date has been inconclusive, and that costs of implementation across at least 600 venues may be prohibitive.

Conclusion

We conclude that venue wide biometric applications to identify barred patrons are premature at the moment, meaning that technology is unlikely to be able to meet our 'barring recognition goal' at this stage. Improving technology will make such options technically more viable in the future. At the moment however, we believe that there are better options for technology based measures to reduce problem gambling.

However people with gambling problems invariably gamble for extended periods of time, much longer than recreational gamblers, meaning that moderately attentive venue staff should be able to identify enough behaviours from a person with potential gambling problem to prompt them to check photographs of barred persons. (This is one of the reasons for the Taskforce being supportive of the Casino's Host Responsibility Coordinators, AHA's Responsible Gambling Officers and Clubs SA 'ClubSafe' programs).

Card based Gambling

This section responds to terms of reference specific issues 2.1 (a)

The Authority must consider and identify available and practicable technologies that may be available to facilitate the setting of limits on the gamblers are use of gaming machines, for the purpose of minimising or reducing the actual or potential harm to themselves or those who are dependent on them.

Taskforce Goal:

To have all gambling in South Australia operated through a cashless, non-transferable card based system requiring pre-commitment, by 2010.

Enabling players to set their level of spending and time, prior to commencing a gambling activity, can significantly reduce problem gambling levels.

We envisage an ideal system as one that requires all gambling activity in South Australia to be cashless, that is (smart) card based and requiring pre-commitments to be determined in order to activate the card.

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As a starting point for considering how an effective system might work, we explain our ideal system as follows:

A citizen who recognises the likelihood that they will wish to gamble at some stage in the foreseeable future purchases a “G-Card” (for lack of better terminology) from a non-gambling venue, for example a Post Office. The customer will need to present 100 points of identification, a process that is already extensively used for opening bank accounts etc. This information and a personal password will be entered on the card (to assist in detecting any transfer of cards). The purchase cost would be minimal, intended to meet the marginal cost of issuing the card only.

At point of purchase the customer will need to program a minimum set of limits, that are pre-programmed on the card, for example:

- *Maximum dollar spend in any 24 hour period, all gambling activities*
- *Maximum monthly spend, all gambling activities*
- *Maximum poker machine spend in any 24 hour period*
- *maximum time spent in any 24 hour period, all gambling activities*

The options would also exist for a customer to identify other limits e.g.:

- *maximum weekly spend in total and by gambling activity*
- *maximum annual spend, in total and by gambling activity*
- *maximum time spent per week, in total and by gambling activity*
- *the option for second party to set/ change limits, with card holder unable to make changes, should also be available.*

These limits would only be able to be changed at a non gambling venue, e.g. the purchasing network or a Break Even service, and could be decreased at any time but could only be increased at least 24 hours from the conclusion of the last gambling session.

The card will also include, as a minimum, the purchaser’s signature, but ideally would also include a biometric device or similar (eg finger print) to minimise the risk of transfer, theft or purchase of additional card by an individual gambler.

When the gambler decides to play they can either put money on the card at the gambling venue or could have done that previously through the purchase network.

Play will then occur through a card reader system for any gambling activity.

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Should any limit be reached during play, the amount of credits remaining will be transferred to the card and the card returned to the customer, the gambling activity will cease. The customer will then be able to obtain payment of winnings or collect any remaining cash value on the card from the venue.

The customer would be unable to gamble in any gaming venue until their limiting conditions had passed.

To support people with gambling problems, the IGA, Casino Host responsibility Coordinators, AHA responsible gambling staff and Break Even staff would be able to apply a barring provision for a customer, to their card, on request.

Under this system all gambling activities will be card activated only, with venues able to put cash on a card and make payouts based on card reading. Venues would be unable to change any pre-commitment settings or to issue cards. Designated officers will be able to apply barring.

This system description leads to the following understandings about the desired system:

Terms of Engagement

At point of purchase, a customer will need to pre-commit to at the least the following:

- Maximum dollar spend in any 24 hour period, all gambling activities
- Maximum monthly spend, all gambling activities
- Maximum poker machine spend in any 24 hour period. (Since about 85% of problem gambling is poker machine related)
- maximum time spent in any 24 hour period, all gambling activities

We would also suggest that pre-commitment be optional for the following:

- maximum weekly spend in total and by gambling activity
- maximum annual spend, in total and by gambling activity
- maximum time spent per week, in total and by gambling activity
- the option for second party to set/ change limits, with card holder unable to make changes, should also be available.

Gamblers would only be able to put money on their card with cash or by bank transfer. They would not be able to use credit cards, cheques, goods, IOU's or accounts operated by other parties,

System Hardware

Card distributors (eg Post Office) and venues would be distinguished by different license codes recognised by a system computer.

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1. The Distribution network and Break Even services would need access to card writers and readers. This function may be compatible with an existing network, eg Post Offices, Transport SA (driver licenses). Otherwise card readers and writers will be needed by each outlet of the chosen card distribution network.
2. Venues will be required to have card readers for all gambling activities. Each gambling device would be networked to a single venue computer which would be linked in real time to a system wide central computer, similar to the current IGC central computer.
3. There will need to be a central computer, this should be integrated with the monitoring system currently operated by the IGC. This computer will hold a data base of players and communicate, in real time, with venue computers.

System Software

Software will be needed to enable communication between individual cards and the game(s) being played. The Taskforce believes that machine manufacturers should be required to include this software, as part of each machine, as supplied to venues

Software will also be needed for the central computer.

Operating Costs

The following recurrent costs will also need to be met:

- Staff member to manage the central computer
- Communications network costs
- Computer support may need to be provided for venues, eg through AHA, Clubs SA

Costs and Financing

We suggest the following indicative costs to establish and operate the type of system we have summarised above. We envisage a two phase introduction, first phase would be to have a card only system for poker machine gaming and the Casino. The second phase of implementation would bring TAB and Lotteries into the card only system.

We stress that these figures are intended to be broadly indicative only, in order to consider potential viability and to develop some thinking about who should pay for the system, if viable.

\$

Cardreader, \$1,500ea for 12,000 machines 18,000,000

Venue costs (600 venues)

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1 computer	\$1,500	
Broadband connection	\$ 500	
Networking	<u>\$5,000</u>	
	\$7,000	4,200,000
<u>Central computer</u>		
Computer purchase	\$ 100,000	
Software Development	\$ 250,000	
Broadband operating	<u>\$ 500,000</u>	
	\$ 850,000	850,000
<u>Distribution Network</u> (assume 60 outlets)		
Cardmaker	\$2,000	
Cardreader / writer	\$1,500	
	\$3,500	210,000
Miscellaneous		1,750,000
System Setup TOTAL (rounded)		25,000,000
<u>Annual Operating, system wide</u>		
Central Computer management	200,000	
Broadband	400,000	600,000

These broad estimates of establishment costs for the system of \$25 million and recurrent costs of less than a million dollars annually are very reasonable when considering the size of the gambling industry in South Australia. We suggest that these indicative figures indicate that the type of system we have outlined above is exceedingly viable on a system cost basis, as well as a programmatic basis.

We suggest that the implementation of phase one of introducing card only gambling for poker machine and Casino gaming in South Australia, would occur over a three-year period, meaning that the establishment costs could be allocated over three years. This would mean that about 1% of NGR would be spent on establishing a system over the next three years. This assumes an annual NGR of the order of \$800 million per annum. Even if our indicative figures are only half of the actual establishment costs (which we doubt), the system costs as a percentage of NGR are very low, with substantial benefit in the reduction of problem gambling associated with the strategy.

Assuming that the \$25 million establishment cost estimate is somewhere near the mark, we suggest that the costs of establishing a system would be shared evenly between the gambling industry and government, as both share NGR. The industry component would come either from individual venues, the IGC or some combination of the two. Given that the major cost of establishing a system is card readers for individual machines, this approach is effectively only

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requiring venues to meet the costs of installing card readers on existing machines, at a subsidised rate.

(Once government had announced its intention to move to card based gaming we expect that manufacturers of poker machines would be able to include card reader in the purchase cost of machines with minimal change to the current machine costs, for new machines)

Government contribution of the order of \$4.5 million over three years to establish a gambling structure with significantly reduced problem gambling, is a very modest hypothecation of gambling tax revenues.

We suggest that the principle of equal government / industry contribution to establishment costs will also apply for wagering and for Lotteries setup costs for card based, cashless gambling. We anticipate that the costs for wagering will be relatively small since the pub TAB outlets would link with hotel systems already in place, so only marginal costs of networking and a card reader apply, meaning that only standalone TAB outlets and bookmakers will need to spend money on system hardware. Given the high level of computerisation that already exists, we anticipate that each outlet would only require a small number of card readers and at most one additional computer, being relatively minor costs.

Conversion of the SA Lotteries system to card based gambling will be more expensive due to the need for existing retail agents to install card reader systems and the extent of the Lotteries network. We note that new Keno Systems will need to be ordered and introduced by 2008 meaning that this new system will be able to be developed in a manner compatible with the rollout of card based, cashless gambling. We guesstimate that the additional establishment costs of card based gambling for Lotteries play could be of the order of \$10 million, which again is a cost that we consider to be very reasonable, and one that can be budgeted for over three to five years.

Operating costs would be met by venues through their monitoring charge, this would be similar to current arrangements with the IGC.

Staged Introduction

For the system to achieve optimal benefits and efficiencies it will need to be integrated with the monitoring system currently operated by IGC.

We also understand that wherever possible gambling systems used in South Australia should be compatible with systems used in the rest of Australia, unlike current arrangements.

For these reasons the Taskforce believes that the timing of introduction of the card driven, cashless gaming system in South Australia needs to occur so that

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the card based system and the poker machine monitoring system are integrated and compatible with systems used in the rest of Australia. This will at least apply to monitoring systems as it is recognised that cashless gaming could be introduced in South Australia before being implemented in other Australian jurisdictions. Monitoring systems however are required in all States and we understand that the current monitoring system used in South Australia is different from monitoring systems used interstate and that this reduces the potential for effective integration with the rest of Australia, which we consider to be highly desirable.

Assuming that IGC will continue to perform a the monitoring function and recognising that the current monitoring computer system will be in place until 2008, the Taskforce recognises that the implementation of card based, cashless gambling will need to occur in a timing sequence that is compatible with a new monitoring system being operational from 2008.

The Taskforce suggests that the proposed system be introduced on a staged basis, starting with poker machine venues including the Casino since problem gambling is greatest with this gambling form. Implementation for the TAB network would come next followed by SA Lotteries.

These circumstances suggest to us that implementation timing should follow a sequencing and timing similar to that specified below:

PHASE 1

2005.

- Approach and System specified and agreed
- Engagement Protocol agreed
- Card reader protocol agreed
- Card Distribution network tendered

2006

- Demonstration trial of system established and used in specification development
- Integration with Monitoring system negotiated (with IGC)
- Card Distribution System finalised
- Half of machines converted to card reader driven

2007

- Card distribution system operational
- Card based system operational in all venues
- 80% of all machines card driven

2008

- Roll out of integrated monitoring and cashless gaming system finalised
- All poker machines card only, by 1st July

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PHASE 2

2009

- Cashless gambling implemented for all TAB and bookmaker outlets

2010

- Cashless gambling implemented for all SA Lotteries venues and games.

Other Matters

Smartcards, Loyalty and Inducements

The Taskforce wishes to emphasise that there should be no relationship between a card based, cashless gambling system and loyalty programs.

We are aware that the current card systems that are in place in the gambling industry are for loyalty programs. The issues associated with loyalty programs and inducements to gamble are currently being considered by the Authority as part of the second round of gambling codes of practice. We reiterate our position that the Taskforce is opposed to all forms of gambling inducements and loyalty programs that in any way encourage gambling activity. Our previous comments on loyalty programs are attached as appendix 1.

We recognise too that the best systems for card based, cashless gambling may be those systems that are currently used for loyalty programs. The Taskforce would be accepting of current card and software systems being the platform for card based, cashless gambling provided the company involved withdrew from provision of loyalty programs to venues providing gambling activities.

Tourism

We recognise that a small number of patrons are likely to be tourists in which case a time limited card, 4 weeks maximum, could be issued by a card distributor, based on a presentation of a passport.

This system will be most effective when it is Australia wide as this would eliminate any issues with interstate tourists being limited in their ability to gamble in South Australia. In the interim we would also suggest that a time limited (e.g. 4 weeks) card could be issued by the card distributor based on a hundred points check, to interstate visitors. These customers would need to prove that they are from interstate to minimise the risk of a person with a gambling problem being issued with a separate card.

We do not consider the roll out of cashless, card only gambling to be a significant issue for tourists as there is no evidence, to our knowledge, to suggest that visitors coming to South Australia are attracted by gambling activities.

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Problem Gambling play patterns

We understand that Schellinck, T. & Schrans, T, from Canada, have concluded that there are certain patterns of poker machine play that are highly correlated with people with gambling problems.

Gaming machine manufacturers could program machines to identify patterns of play that characterised by people with gaming problems and trigger play shut down response when such patterns were identified.

We believe that this approach has merit and should be part of a future, national gaming machine specification that is required to be met by all poker machines in use in Australia. Such action would need to be initiated by the Ministerial Council on Gambling.

Enforcement

Legislation / processes for implementing any 'smartcard' system will need to include heavy penalties for gambling with another person's card, and in the absence of a reliable biometric check on individual gamblers, the Office of the Commissioner of Liquor and Gambling would need to make regular 'spot checks' of all venues to ensure that patrons are gambling with their own card. The Commissioner would need to report annually to the Parliament on the number of checks conducted, breaches detected, action taken, prosecutions and penalties.

Conclusion

The Taskforce is convinced that 'smartcard' technologies are able to meet our stated 'cashless gambling with pre-commitment goal', significantly reducing problem gambling. Of the various technologies that are potentially available at the moment, we recommend that the Authority proceed with the introduction of cashless, (smart)card based gambling, for all gambling activities in South Australia.

Regarding detection of barred patrons, we believe that cashless, card based gambling will produce better outcomes on a more time and money efficient basis than using current biometric measures, specifically to aid in the identification of barred patrons. We believe that smartcard technologies will be effective in dramatically reducing accessibility to gambling activities by patrons who are barred, as well as having a number of other benefits.

The Taskforce has summarised the system that we believe is practical and can be implemented over a three-year period, for phase 1 and over 5 years in total, to cover all gambling activity in SA. We suggest that this type of system would be the priority of the various technology-based options in terms of capacity to reduce problem gambling.

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Appendix 1

The Churches Gambling Taskforce has made comments pertaining to the use of technology, specifically loyalty programmes, to reduce gambling harm, in previous submissions; these views are repeated below:

GTF Position

Preferred Position

Loyalty programs should not be linked in any way to gambling activity

Position 2

In the event of the current J Card loyalty program, or similar, being allowed to continue the following codes of practice measures should be implemented.

1. Any points accrued whilst gambling must be spent in a hotel, not at any other venue. These points cannot be transferred under any conditions from the gambling sector of the card
2. 100 point check for application for J Card membership to minimise use by minors. This is particularly important when the J Card may be used by a range of businesses
3. Mandatory barring of gambling sector in card for self-barred or third party barred gamblers at all gambling venues
4. Mandatory warning and Helpline details on all cards and mandatory warning on reading of cards in gaming machine reader
5. Permission by the LLC to allow the J Card organisation to analyse data at its central computer and arrange additional automatic warnings on insertion of card in gaming machine or cashier scanning device. The warning would be for those who have gambled for more than 10 hours or spent more than \$100 with the J Card in the last 7 days. The warnings would appear on the card unit screen or be required to be read to the player by the cashier:

“You have gambled more than 10 hrs this week – are you sticking to your limits?”

6. For those players whose use of the gambling sector of the card is barred but who have more than \$10 worth of points on this card, the money will be paid by cheque
7. Warning on card application (to be ticked when read) that:

‘It is illegal to use this card to buy gambling products for minors or for it to be used to gamble by minors ‘

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'If the card is used in this way the Card member will have that membership cancelled and fines may apply'

8. Gambling promotions or inducements must not be sent by venue to J Card patrons