

SKYCITY Entertainment Group Ltd

Submission to the
Independent Gambling Authority
on
“Inquiry into Smartcard Technology”

March 2005



A. Introduction

1. SKYCITY Entertainment Group Ltd (SKYCITY) appreciates the opportunity to make this submission to the Independent Gaming Authority (the Authority) inquiry into Smartcard technology.

B. SKYCITY Entertainment Group

2. SKYCITY is a public company listed on both the New Zealand and Australian stock exchanges and is one of Australasia's leading entertainment and gaming companies, employing more than 4,400 people across New Zealand and Australia.
3. SKYCITY, through its various subsidiaries, has the following interests in the Australasian entertainment and gaming industry:
 - Owner of SKYCITY Casino Management Limited, operator of SKYCITY Auckland, SKYCITY Queenstown Casino, and SKYCITY Hamilton;
 - Owner of the SKYCITY Auckland complex;
 - Owner of SKYCITY Adelaide Pty Ltd, the owner and operator of the SKYCITY Adelaide casino and entertainment complex;
 - Owner of SKYCITY Darwin Pty Limited, the owner and operator of SKYCITY Darwin casino, hotel and entertainment complex;
 - 60% shareholder in Queenstown Casinos Ltd, owner of the SKYCITY Queenstown Casino;
 - 70% shareholder in SKYCITY Hamilton Ltd;
 - 40.5% shareholder in Christchurch Casino Limited, the owner and operator of Christchurch Casino;
 - Owner of cinema exhibition business SKYCITY Leisure Ltd, which jointly and itself operates a total of 92 cinemas throughout New Zealand. (Previously 74% owner, until successful takeover bid for remaining shares in June 2004).
4. SKYCITY Adelaide is an important contributor to the South Australian economy:
 - Employs over 1,000 staff (10th largest employer in Adelaide) and has a total payroll of approximately \$40m.
 - Paid approximately \$20m in state taxes in FY04
 - Contributor to over 250 state charities including being a major sponsor of the McGuinness McDermott Foundation
5. In addition, SKYCITY Adelaide is also investing \$27 million into the Casino property with the development of restaurants, bars and gaming areas on the North Terrace side of the building along with a dedicated entertainment facility. An additional \$43 million, which includes a new car park and refurbishment of the entire property, is contingent upon the success of the initial development and the general regulatory environment.

6. When complete, the project will create an additional 237 jobs (total of 439 indirectly) and will increase total State output by \$150 million.

C. Executive Summary

7. SKYCITY believes the potential capital cost of implementing a smartcard technology system in South Australia is in the order of \$125 million to \$160 million. Of that, the potential cost components to the Casino could be in the order of over \$13 million.
8. Section 11 of the Independent Gambling Authority Act requires that the sustainability of the gambling industry be a consideration in the provision of regulation. It is SKYCITY's view that this provision needs to be prominent in the considerations of the Authority as they prepare any recommendation to the Minister.
9. SKYCITY strongly agrees with the Authority's assertion that "*there is no point in deploying technology based initiatives purporting to assist in the implementation of responsible gaming initiatives if it is not known how to use them to actually reduce problem gambling*".
10. SKYCITY submits that the Authority assess what impact recent policy changes (including the ban on smoking and the Authority's Codes of Practice and Guidelines) may already have had in the problem gambling area before recommending further harm minimisation regulation in the form of smartcard technology.
11. SKYCITY submits that the introduction of a mandatory smartcard regime will have a detrimental effect on the recreational enjoyment derived from gaming machines, will threaten the viability of the casino's gaming machine business and severely limit the product offerings to our customers.
12. There is no other jurisdiction applying a mandatory pre-commitment regime. The gambling market is highly competitive, both inter-state and internationally. A differentiating smartcard regime in South Australia will seriously disadvantage SKYCITY Adelaide vis-à-vis those in other Australian jurisdictions, with the revenue and tourist expenditure of customers instead being lost to other states.
13. SKYCITY has concerns about the process being adopted by the Authority and how this may affect the recommendation to parliament. SKYCITY believes that the Authority should not recommend the adoption of a specific smartcard application to the Minister without separately consulting parties on the alternatives being considered. In particular it should not make such a recommendation until such time as it has accurately identified the components of such a system and allowed stakeholders to analyse and comment on these components.
14. There is no research to support the introduction of smartcard technology, SKYCITY is concerned that the Authority may instead

rely heavily on anecdotal evidence and bold assertions relating to the contribution that such technology might make to reduce problem gambling.

15. It is SKYCITY's view that based on the presentations made to the Authority on 15 February 2005, that none of the presentations provided technology solutions to the Authority which have a commercially available and/or proven smartcard technology solution that has been successfully used to reduce problem gambling.
16. Any recommendation for pre-commitment limits should be optional. It should be noted that this functionality comes at significant cost. However, it should be noted that a voluntary smartcard system would not have the significantly adverse effect on revenue compared to a compulsory system. This is due to the fact that the impact on recreational spend (due to inconvenience) would be lower, this is particularly important for SKYCITY as 20% of its visitation is from interstate and overseas.
17. Imposing a standardized pre-committed monetary limit falsely assumes that all people in society share the same levels of disposable income, which in SKYCITY view amounts to state determination of the 'appropriate' level of expenditure on a leisure activity. SKYCITY believes that is unacceptable.
18. The cost of card reader components is only a small part of a full system implementation and it is necessary to consider cost elements such as:
 - Modifying gaming machine software
 - Modifying central monitoring system software
 - Cost of integrating new hardware into existing gaming machines (if at all possible)
 - Replacement cost for new gaming machines to replace older machines incapable of accepting card reader equipment or software modifications to interact with the card systems.Given the significant cost of smartcard technology, the Authority should consider additional smartcard functionality that may be of benefit to gaming operators. This functionality would obviously be subject to the requirement that it did not exacerbate problem gambling.

D. Inquiry Process Concerns

Need for a Rigorous Approach to Policy Development

19. SKYCITY has concerns about the process being adopted by the Authority in its *Guide for making Submissions for the Inquiry into Smartcard Technology*. Due to these concerns, discussed in more detail below, it is the submission of SKYCITY that the Authority should not recommend the adoption of a specific smartcard application to the Minister without separately consulting parties on the alternatives being considered. In particular it should not make such a recommendation until such time as it has accurately identified the components of such a system and allowed stakeholders to analyse and comment on these components.
20. Further, it is the submission of SKYCITY that the Authority should not recommend the Government proceed with the implementation of further regulatory controls, including smartcard technologies, until such time as it can accurately assess the aggregate impact of recent harm minimisation related policy decisions (and the impact of the smoking ban) and is able to support its recommendations with quality research.
21. As such we agree with the Authority's assertion that "there is no point in deploying technology based initiatives purporting to assist in the implementation of responsible gaming initiatives if it is not known how to use them to actually reduce problem gambling".
22. SKYCITY believes that it is incumbent on the Authority when recommending regulation that there be a balance between ensuring responsible harm minimisation measures are in place, that these measures are effective, and that the industry and the community are not unduly restricted.
23. SKYCITY submits prior to commencing any policy analysis/development it is necessary to have exercised considerable due diligence not only to identify whether the policy intervention achieves its intended purpose, in this case to reduce problem gambling, but also to assess its peripheral effect on industry and commerce. The process the Authority has embarked on (reinforced by the vendor presentations) pre-supposes there is a model fit for introduction to the market. For reasons stated below SKYCITY disagrees.
24. Further, the term "smartcard technology" as used by the Authority is sufficiently vague that it encompasses a very broad range of technologies from simple cashless gaming to a full gate-keeping mandatory time/ money limit control system. SKYCITY believes the Authority cannot recommend a smartcard system until it can clarify specifically the components and rationales of such a system and consults widely.

Need for evaluation of regulatory environment

25. In our view, before determining what more needs to be done to address problem gambling, it is first necessary to determine how effective existing initiatives have been. It is, however, too soon to make such an assessment. Many of these initiatives are yet to be implemented, and even in the case of those that have been, it is too soon to determine their impact.
26. Further, it is the responsibility of the Authority to assess the nature of the starting point and the scale of problems that are to be addressed. It is only through such an approach that the propensity for a specific smartcard application to address these problems can be evaluated and therefore its benefit assessed. This is an important component of assessing whether a given initiative can be justified on a cost-benefit basis.
27. Under the approach being undertaken by the Authority this initial policy analysis is not possible. The Casino Act, the Authority's Codes of Practice and Guidelines, and other forms of regulatory and legislative intervention include a range of initiatives that were designed to (and, it is believed, will) reduce the harm caused by gambling.
28. Section 11 of the Independent Gambling Authority Act requires that the sustainability of the gambling industry be a consideration in the provision of regulation. It is SKYCITY's view that this provision needs to be prominent in the considerations of the Authority as they consider their recommendation to the Minister.
29. This section of the Act has recently been amended during the passage of the Gaming Machine (Miscellaneous) Amendment Bill 2004. This amendment, as stated below, further emphasizes the requirement the Authority has to consider the impact of their regulatory initiatives on the industry:
 - *The maintenance of an economically viable and socially responsible gambling industry (including an economically viable and socially responsible club and hotel gaming machine industry) in this State.*
30. In adhering to Section 11 of the Act to have regard for the economical viability of the industry in the State, SKYCITY requests that the aggregate effect of the Casino Act 1997, regulations from the Authority, and other forms of business compliance be determined before proceeding with additional regulation.
31. In addition to these initiatives, on 06 December 2004 the *Tobacco Products Regulation (Further Restrictions) Amendment Act 2004* became law, meaning that from 06 December 2004 gaming venues will progressively become smoke-free. This is likely to have a dramatic effect from a problem gambling perspective as

research indicates that 60-70% of problem gamblers are also smokers¹. The effectiveness of smoking bans from a harm minimisation perspective has been confirmed and reinforced in numerous discussions with treatment providers.

32. It is the submission of SKYCITY therefore that the recommendation of specific smartcard technologies into the market should not commence until such time as the above initiatives have been fully implemented and their effectiveness assessed. Any approach other than this will represent the formation of policy in an information vacuum, in which adequate analysis is not possible.
33. SKYCITY is particularly keen for the effectiveness of our host responsibility programme in conjunction with the recent regulatory changes canvassed above to be assessed and evaluated. SKYCITY is willing to participate in an independent evaluation process for this purpose. Likewise, SKYCITY would support a move by the Authority to conduct a trial for the evaluation of a smartcard system.
34. Identifying and responding to gambling harm is taken extremely seriously by SKYCITY. Our host responsibility programme is comprehensive and an industry-leader, and we substantiate all our public statements on the issue with a wide range of supporting actions that are at the core of SKYCITY's commitment to corporate responsibility. We believe our approach offers a best-practice standard for the casino and non-casino sector alike.
35. We are continuously evaluating and enhancing the programme. Most recently SKYCITY introduced an Early Intervention Program to assist in addressing problem gambling and alcohol management issues with at-risk customers. Under the Early Intervention Programme SKYCITY has employed trained and dedicated Host Responsibility Coordinators, who will be on site at the complex at all times and will work in collaboration with counseling agencies and treatment providers. Key criterion for the roles include knowledge and experience associated with gaming operations and customer service initiatives. The staff will be specially trained to look out for early warning signs and help identify gambling and alcohol related problems in customer behaviour.
36. The Early Intervention Program resulted from collaboration between SKYCITY Adelaide, the Churches Gambling Taskforce and Break Even counseling network. The parties have met regularly over the past year to develop targeted and meaningful initiatives directed towards dealing with problem gambling.

¹ "Gambling Patterns of South Australians and associated health indicators", May 2001, Centre for Population Studies in Epidemiology, South Australian Department of Human Services (pg. 91). And "Smoking and Problem Gambling: a common correlation with important health implications", 2002, Sean Sullivan and Hannah Beer.

37. The identification and rectification of problems with the existing regulatory regime is consistent with the National Framework on Problem Gambling, which reinforces the principles of research and evaluation to avoid unintended consequences.
38. As the development of the Early Intervention Programme with the concern sector demonstrates, intervention and professional services, which can be offered at the point of identification of problem gamblers, are most effective in the containment and treatment of gambling problems.

Lack of Research

39. As far as SKYCITY can ascertain there is no research to either endorse smartcard technology as an effective solution for problem gambling or, arguably more important, to establish whether it may contribute to increased problem gambling. What is definitive is that there is no substantial research or precedent trial to guide policy making.
40. The IPART Report 2004 stated that:

...conducting research on the effectiveness of pre-commitment or smart cards should be a high priority, and ideally this research should be done on a national basis. Issues considered in such research should include nominating where and when pre-commitment is to occur, options for overturning set limits and 'cooling off' periods. (p. 100)

41. The importance of research was further highlighted by the Chairman of the Australian Productivity Commission, Gary Banks (who was previously a member of the Commission's 1999 inquiry into Australia's gaming industry). In debates about gaming regulation the Productivity Commission report has taken on an important role, being heavily utilised by stakeholders arguing against the industry. In his 2002 presentation to the National Association of Gambling Studies (NAGS)², Mr Banks said:

"There is a burning need for more research on what actually works among many possible harm minimisation measures. (This is particularly important for those, which can involve significant compliance and other costs). If we are serious about doing things that are effective, rather than just being seen to be doing things, trialing and testing of different approaches is critical. In many cases this needs to be done before measures are introduced." (p. 40)

² "The Productivity Commission's gambling inquiry: 3 years on", November 2002, Gary Banks, Chairman Productivity Commission (pg. 40).

42. In the absence of quality research to support the introduction of smartcard technology, SKYCITY is concerned that the Authority may instead rely heavily on anecdotal evidence. SKYCITY does not believe that such an approach is consistent with a quality and/or a prudent approach to policy making.
43. Gary Banks, in his 2002 speech to NAGS, also said:

"The [Productivity] Commission's review of the processes by which gambling regulation had come about (or not come about), and the regulatory structures for overseeing the industry, demonstrated why the regulatory frameworks were so deficient. Decision-making was generally poorly informed about the social impacts, ad hoc and piecemeal, with poorly specified or conflicting objectives and no systematic monitoring and evaluation of outcomes." (p. 31)
44. SKYCITY is concerned that this is exactly the approach the Authority appears to be undertaking. With policy being made in a manner where problem identification is not undertaken in a meaningful way, and where the information on specific applications is vague and anecdote and intuition is used as a proxy for substantive research, policy decisions run the risk of becoming an exercise in guesswork, and quality outcomes reliant on pure chance.
45. This process is highly likely to result in sub-optimal policy outcomes that will have a significant and detrimental effect on SKYCITY's business. SKYCITY submits that a trial and subsequent evaluation is essential before any such regime is introduced in South Australia.

E. Limitations of Proposal

No Proven Smartcard System Exists or Delivers

46. As evidenced by the lack of research into the effectiveness of smartcard technology as a measure to reduce harm, it is SKYCITY's view that based on the presentations made to the Authority on 15 February 2005, that none of the vendors presented commercially available systems or a system which had in fact been operating and shown to address problem gambling harm. Please refer to Appendix 1 for a SKYCITY summary of the vendor presentations.
47. SKYCITY's view is that vendor applications were largely based on theoretical assumptions of their application. Given the potential costs, as discussed later in this submission, it is our assertion that the Authority should not use this process to introduce untested applications.
48. It is SKYCITY's assertion that to date the complete picture as to appropriate technology and total costs have not been quantified or fully debated.
49. It is incumbent on the Authority to establish whether gaming machines in South Australia have the technical capacity to be modified to accept smartcard systems and what the cost of this will be. In addition, it appears likely that a significant modification to the existing central monitoring system would need to be undertaken to compliment a smartcard system.
50. Under Section 11 of the Independent Gambling Authority Act the legislation allows the Authority to undertake, assist in or co-ordinate ongoing research into matters relevant to the Authority's functions, including research into:
 - (i) *The social and economic costs and benefits to the community of gambling and the gambling industry; and*
 - (ii) *The likely impact, both negative and positive, on the community of any new gambling product or gambling activity that might be introduced by any section of the gambling industry.*³
51. SKYCITY asserts that a mandatory smartcard regime would be unduly restrictive and will have an adverse impact on players and therefore on SKYCITY's business.
52. SKYCITY submits that the potential effect of smartcard technology on the community and the industry warrants evaluation (by trial)

³ Independent Gambling Authority Act 1995, Section 11, (1) (aab), Government of South Australia.

before a system can be recommended for implementation to the Minister as a harm minimisation solution.

53. Existing provisions of the gaming machine approval regime in South Australia, as contained in the Australia/New Zealand Gaming Machine National Standards, would necessitate that any changes to gaming machine software would result in all aspects of the game, base software and gaming machine hardware needing to be compliant with the current (2004) version of these Standards.
54. SKYCITY submits that any form of smartcard technology should only be recommended to the Minister if it meets the overall objective of aiding problem gamblers without detracting from the enjoyment of recreational gambling.

Operational Model (Rules of Engagement)

55. Again as foreshadowed by the Authority, it is vitally important that the Rules of Engagement be fully understood as part of any consideration of measures to assist in the implementation of responsible gambling.
56. In exploring appropriate rules of engagement we believe there are a number of key attributes affecting players that need to be considered and these are best exemplified by maintaining a balance between factors such as:
 - Assistance to problem gamblers versus ease of access for recreational gamblers;
 - Necessity for player identity verification versus a player right for anonymity;
 - Mandatory versus voluntary participation in pre-commitment schemes;
 - Pre-defined limits versus player selectable limits;
 - Denial of access to machine after reaching a limit versus using a limit as an 'alarm clock' only.
57. Moreover, there are important and complex issues which the Authority would be required to clarify and consult on before being able to be recommended, including:
 - An appropriate legislative framework for implementation of card based systems, including penalties, notices, rights of appeal;
 - Inspectorial powers (by whom and under what authority);
 - Access to private player data – protection, dissemination, player rights, etc;
 - Staff licensing/training conditions;
 - Liability for potential denial of service;
 - Accurate player identity verification.
58. SKYCITY considers these matters need to be properly considered before a recommendation is made.

Limit Setting Should be Optional

59. We firmly believe that a pre-commitment model of setting limits should be optional for players and the action resulting from reaching a limit should be flexible in design.
60. A risk of imposing a mandatory pre-commitment limit may result in behaviour adapts to circumvent the intervention of constraints or measures. It is possible that persons forced to set limits could circumvent the intended benefit of this measure by setting unrealistically high limits.
61. If the assumption is that mandatory pre-commitment limits will be set a low level, the effect for the clear majority of customers will be unjustly punitive.
62. Imposing a standardised pre-committed monetary value falsely assumes that all people in society share the same levels of disposable income.
63. Again, SKYCITY believes that the Authority must adhere to Section 11 of the Independent Gambling Authority Act in balancing the cost-benefit of a mandatory regime.
64. It is the view of SKYCITY that any mandatory smartcard requirement will threaten the viability of the casino's gaming machine business and severely limit the product offerings to our customers.
65. SKYCITY submits that a mandatory regime may not assist problem gamblers but push them to other forms of gambling, which do not require self-identification or into co-morbid habits.
66. There is no single measure or limit that could be expected to be managed for all people. Each player has different levels of capacity to participate in gambling based on factors such as frequency, spend per visit and visit duration and thus it is not conceivable that a uniform model could be implemented successfully and without impacting recreational players.

Exclusion of particular gamblers would be problematic

67. The prospect of utilising card based technologies to facilitate the exclusion of particular gamblers from access to gaming machines or the ability to play gaming machines presents many operational hurdles.
68. An aggressive and without doubt, unpopular approach would be for mandatory card access for all players to all gaming machines. There is no regulatory or moral mandate for such an approach. This would have significant consequences on all facets of the

gaming industry resulting from constrained access to recreational players on top of the considerable implementation and operating costs.

69. The alternative approach would be for voluntary card usage by nominated/self-designated players. However, the gaming machine has no means of knowing whether or not a card is expected, and hence an excluded player could circumvent this requirement by simply not inserting his card into the machine.
70. Similarly, 'blocking' access to individuals does not 'treat' or address an individuals problems and may push them into other forms of gambling, alcohol or drug abuse.
71. Even in an environment where card usage was mandatory for all players there are no controls, technical or legislative, that would stop the practise of borrowed, rented or stolen cards being used to activate gaming machines.
72. SKYCITY submits that our Host Responsibility Programme, including the recently developed Early Intervention Programme component, together with existing exclusion policies provide a good balanced intervention. At the very least it warrants evaluation before more regulation is proposed.

Alternative measures

73. Both our business and our approach to host responsibility have evolved considerably in a short period of time. Likewise the advent of "cashless" technology in the gaming environment evolving. This technology offers a number of commercial advantages to gambling operators, but it also introduces new approaches to support improved identification and early intervention for problem gambling.
74. Gambling is not an illegal activity, and its developments are driven largely by customer preferences. As cashless technology has become part of everyday life (eg. EFTPOS systems), we can assume that customers will naturally demand its application to gaming activity.
75. At SKYCITY this rapidly evolving environment has led to evaluation of our gaming machine management systems (GMMS). In a large, complex gaming business such as SKYCITY this system confers a host of advantages for SKYCITY, regulators and problem gambling treatment providers.
76. Harm minimisation features such as special modules that allow a carded player to self-regulate their play by setting limits beyond which the system will not allow them further play already exist.

77. At present, we rely on our trained staff to support identification and early intervention.
78. A harm minimisation module within the GMMS would supplement our existing programme by providing a centrally monitored identification and early intervention capability. This means it would allow us to more easily identify people with potential problem gambling issues.
79. So while a focussed GMMS can be more attractive for the vast majority of our customers who play without harm, at the same time its innovative technology allows real-time intervention in situations where harm may be caused. It would therefore be an important enhancement to SKYCITY's overall Host Responsibility Programme.
80. Host Responsibility is and will remain at the core of SKYCITY's responsible approach to business. New developments, such as that embodied by the harm minimisation module of a GMMS, will help to enhance what is already a comprehensive programme. SKYCITY recommends that the Authority investigate and consider with the industry and the Concern Sector this approach as a more balanced policy initiative.
81. It must be understood that even if such a system is regulated for, and included such functions as an opt-in system with individually determined time and loss limits, that such a system would be introduced at the potential and likely cost of millions of dollars to the business. Commercial necessity should allow the industry to introduce such desirable system enhancements, as long as there is no proof that such enhancements exacerbate harm, which would help mitigate the investment.
82. In the spirit of the National Framework on Problem Gambling, we submit there is merit in investigating measures such as cashless play, which provide business efficiencies as well as harm minimisation opportunities.
83. SKYCITY is of the firm view that before any smartcard system can be recommended for implementation, that a working group (including the Authority, the concern sector and the industry) should be established to consider wider issues around smartcard technology (such as cash-less), clarify fully the desired characteristics and components of a smartcard system, whether such a system is technically feasibility (necessitate live trials), whether the industry can sustain the costs and whether such a regulatory intervention will deliver meaningful harm minimisation measures.

F. Cost of Compliance

Potential Capital Cost of \$13,680,000 million to the Casino

84. As discussed previously, SKYCITY is concerned that the capital cost of implementing a smartcard system has, in our view, been based on malformed projections on cost.
85. The purported estimate of installing smartcard technology has been \$1,500 per machine. SKYCITY submits this does not in anyway quantify the true capital cost the industry is likely to bear.
86. SKYCITY submits that the potential cost to our business of implementing a smartcard system is in the order of \$13,680,000; in addition there is a potential ongoing cost of \$32,000 per annum assuming cards cost \$4 per unit and 8,000 is used annually.

Item	Unit Cost (\$)	Qty	Estimate (\$)
Development of new EGM shell code	100,000 per EGM supplier	5	500,000
Supply of new EGM shell code (if possible)	2,500/EGM	400	1,000,000
Replacement EGMs	20,000/EGM	500	10,000,000
Dacom Changes	250,000	1	250,000
Card System interface components	1,500/unit	900	1,350,000
Labour to modify machines for card system interface	200/EGM	900	180,000
Initial smartcard purchase	4/card x 100,000	1	400,000
TOTAL			\$13,680,000

87. Bearing in mind almost half of the total number of gaming machines in South Australia are over 5 years old and are unlikely to be able to be modified to have capacity for a new card system, the indicative potential capital cost of implementing a smartcard system into gaming machines in South Australia is in the order of \$125 million to \$160 million. Ongoing costs of cards (depending on the deployment basis) could also be in the order of \$2.4 million per annum.

Estimated Costs assuming one third of all gaming machines need replacing

Item	Unit Cost	Qty	Estimate
Development of new EGM shell code	\$100,000 per EGM supplier	4	\$400,000
Supply of new EGM shell code (if possible)	\$2,500/EGM	8,000	\$20,000,000
Replacement EGMs	\$20,000/EGM	4,000	\$80,000,000
Changes to CMCS code	\$300,000	1	\$300,000
Site controller code upgrade	\$2,000/site	600	\$1,200,000
Card System interface	\$1,500/unit	12,00	\$18,000,000

components		0	
Labour to modify machines for card system interface	\$200/EGM	12,000	\$2,400,000
Initial smartcard purchase	\$4/card x 600 venues x 1000 cards/venue	1	\$2,400,000
TOTAL			\$124,700,000

88. Using the same unit costs from the one-third-replacement model, with 6,000 EGM shell software changes and 6,000 replacement machines gives an estimated capital cost of \$159,700,000.
89. SKYCITY submits that the cost of card reader components is only a small part of a full system implementation and it is necessary to consider cost elements such as:
- Modifying gaming machine software
 - Modifying central monitoring system software
 - Cost of integrating new hardware into existing gaming machines (if at all possible)
 - Replacement cost for new gaming machines to replace older machines incapable of accepting card reader equipment or software modifications to interact with the card systems.

G. Issues of Privacy

90. Card based systems raise complex privacy issues over the collection and storage of personal data.
91. Smart cards would allow individual playing habits to be tracked revealing personal spending information and an individual's use of leisure time.
92. The Authority would have to be assured of adequate security protocols to ensure compliance with Federal and State privacy laws.
93. A mandatory requirement to register for a "license" to gamble would have a significant effect on the recreational activity of the clear majority for whom gambling is not a problem. The impact on international tourism for the State would be severe as international and inter-state tourists are unlikely to register.
94. SKYCITY submits that the key fundamental distinction between our ACTION loyalty programmes and a mandatory registration system for all players is that ACTION is a voluntary system subscribed to by customers where the customer's information is confined to SKYCITY.

H. Conclusion

95. SKYCITY is of the view that the process being undertaken by the Authority to make a recommendation to Parliament on smartcard technology is deficient and highly unlikely to result in optimal policy decisions.
96. Problem definition is not possible because the recent policy changes of relevance have not yet in some cases been fully implemented, or they have not had time to fully take effect. Their impact cannot therefore be assessed. Compounding this problem is the dearth of research material.
97. SKYCITY is particularly concerned that the costs quoted widely as being representative of the implementation of a smartcard based system for gaming machines are in fact only a small aspect of the anticipated industry/operator costs.
98. SKYCITY believes that given the potential cost to our business and the speculative nature of the benefits to address problem gambling, the Authority should not recommend a mandatory smartcard system.
99. Finally, SKYCITY recommends that the Authority recommends to the Minister that a working group, to include the Authority, the concern sector and the industry, should be established to clarify fully the desired characteristics and components of a smartcard system, whether such a system is technically feasible (necessitate live trials), whether the industry can sustain the costs and whether such a regulatory intervention will deliver meaningful harm minimisation measures. SKYCITY is very keen to be involved in such a working party.

APPENDIX 1

Review of potential smartcard solutions

Safe Gaming Systems Inc

Key Contact

Richard (Ric) Johnson
10443 Noontide Avenue
Las Vegas, NV, 89135

Email: richardallenjohnson@safegamingsystem.com

Web: www.safegamingsystem.com

Proposed Product

Internet based account management system that allows individuals to establish an SGS (Safe Gaming System) account and access pre-deposited funds at gaming venues that accept an SGS card.

Key Elements

- Internet account management
- Player sets gambling budget and budget period
- Player receives an access card (could be smartcard, mag stripe, biometric) to link with funds
- Player deposits funds via internet into SGS account
- SGS charges a transaction fee to participating venues
- EGMs (somehow) modified to read the SGS card and only allow cashless transfer to/from the card
- Once a player budget has been consumed for a specified period no further deposits are allowed

Product Status

- Theoretical only
- Reportedly negotiating with a USA casino operator for a field trial
- No real concept of how to integrate with gaming machines

Applicability to IGA/SA requirements

In our opinion this product has a very low level of fit for what IGA is proposing.

The vendor has not determined how the gaming machine or system interface will work. We believe they have no experience in the Australian market and hence this would add considerable technical hurdles for implementation.

The concept is primarily one of on-line banking and account management and it is not clear at all how the system would be effective, including issues related to accurate player identification and at venue/machine messaging to players.

Worldsmart Technologies Pty Ltd

Key Contact

Wally Woehlert
Managing Director
Level 2, 50-51 Greenhill Road
Wayville, SA 5034

Email: woehlert@worldsmart.com.au

Proposed Product

Worldsmart operate a loyalty scheme in South Australia, and more recently Queensland known as the Jackpot Club. The Jackpot Club utilises a smart-card system which operates in parallel to gaming machines connected to the IGC statewide gaming machine monitoring system.

In relation to the IGA inquiry, Worldsmart envisage a system product that allows participating members to set pre-commitment limits (voluntary scheme) and with an adaptation of EGM's, the system would disable machines where players reached their predefined limit.

Key Elements

- Smart card used to store limits and limit status
- Voluntary system (preferred)
- When limit is reached – machine is disabled for that player
- Could be enhanced to offer cashless gaming

Product Status

- Smartcard element works now (for loyalty)
- Control of gaming machines is theoretical
- Have not had technical discussions with EGM or system suppliers

Applicability to IGA/SA requirements

It is our opinion that to the layman the Worldsmart presentation would look like 'almost there' as a system for smartcard based pre-commitment. We believe there is a need for a more detailed technical analysis of implementation issues such as:

- Gaming machine interface protocol
- Ability to control gaming machines
- Method of card issuance and identity verification

Worldsmart has given indicative system component hardware costs (approx \$1,500/EGM) but this is not the total cost of implementation. In reality this is just the estimated Worldsmart component and does not address EGM software changes, monitoring system changes, cards, operator terminals, etc.

Maxetag Pty Ltd

Key Contact

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Product Summary

Maxetag contemplate a tiered system approach based on a smartcard application.

Players would receive a smartcard 'tag' from a cashier and on a voluntary basis specify a maximum spend amount for that tag. Cash deposited at the cashier, or via a change machine, is electronically stored on the card.

A 'tag' reader is fitted to each EGM and the player uses a keypad to select the amount to transfer to the machine. If a 'limit' has been specified by the tag holder, the tag will become inactive until the expiration of a predetermined time period.

Key Elements

- Smartcard based player 'tag'
- Voluntary limit setting
- Anonymous or named card accounts
- Cashless transfer to/from EGM
- Once a limit is reached, the tag is disabled

Product Status

- Cashless element is reportedly commencing field trial in the Northern Territory within 4 weeks
- Limit setting status is unknown

Applicability to IGA/SA requirements

It is our opinion that to the layman the Maxetag presentation would look like 'almost there' as a system for smartcard based pre-commitment. Upon a more detailed technical analysis there are a large number of unresolved implementation issues such as:

- Gaming machine interface protocol
- Ability to control gaming machines
- Method of card issuance and identity verification

System costs have been put into the \$1,500/EGM ballpark; however we believe this is not the total cost of implementation. It appears to reflect just the estimated Maxetag component and does not address EGM software changes, monitoring system changes, cards, operator terminals, etc.

For the system to operate there would need to be legislative change to allow cashless gaming.

AMC Convergent

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Product Summary

Internet based account management system that allows individuals to establish accounts and set limits such as time, inter-session times, spend, max bet.

Key Elements

The end-to-end concept is still theoretical and appears to cover the following:

- Internet account management
- Player sets gambling budget and other limits (options)
- Player uses their own access card (could be mag stripe, biometric) to link with funds
- Player deposits funds via internet into account
- EGMs (somehow) modified to read the card and only allow cashless transfer to/from the card
- Once a player budget has been consumed for a specified period no further deposits are allowed
- Venues charged for card usage by AMC

Product Status

- In our opinion, theoretical only

Applicability to IGA/SA requirements

In our opinion this product has a very low level of fit for what IGA is proposing.

The vendor has not determined how the gaming machine or system interface will work. We believe they have no experience in the Australian gaming machine market and hence this would add considerable technical hurdles for implementation.

The concept appears to be primarily one of on-line banking and account management and it is not clear at all how the system would be effective, including issues related to accurate player identification and at venue/machine messaging to players.

Aristocrat Technologies Australia

Key Contact

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Product Summary

In our opinion Aristocrat did not demonstrate a single existing or planned solution; rather they presented their view that pre-commitment capabilities could be built into a future Aristocrat system.

They also referred to elements of a number of the existing disparate gaming systems that could be considered in an ultimate pre-commitment based system.

Key Elements

Some of their future concepts eluded to:

- Biometric player identification
- Entrance terminals to verify player identify
- Not a supporter of smartcards
- Not a supporter of wide area cashless gaming accounts

Product Status

- A single solution as contemplated in the IGA inquiry papers does not exist

Applicability to IGA/SA requirements

In our opinion the Aristocrat presentation only loosely followed the IGA format, and nothing was shown in relation to current product capabilities or smartcard technologies.

Notwithstanding that fact, Aristocrat was able to air some relevant issues such as:

- Need to 2 way gaming machine communications protocol
- Patent issues with biometric recognition at a gaming machine
- Operational problems with wide area cashless gaming