
10 Pre-commitment strategies

Key points

- Many gamblers find it hard to control the money spent on gambling. Yet, features of gaming machines mean that genuinely informed choice are often not present.
- Measures that allow gamblers to determine limits on their playing — known as ‘pre-commitment’ — provide a key mechanism for improving informed consent.
- Self-exclusion allows gamblers to prevent themselves playing at specified venues, but existing arrangements have deficiencies. These could be reduced by:
 - implementing jurisdiction-wide programs, supported by a database of self-excluded gamblers and by a requirement to check the identity of patrons against such a database when winning large prizes
 - making it is easier to self-exclude at venues and other places
 - setting non-revocation periods that ensure there is a balance between flexibility and allowing agreements to bind.
- More flexible pre-commitment systems that give gamblers the capacity to control their gambling, rather than cease it, are relevant to gamblers generally.
- A ‘partial’ system of pre-commitment with non-binding limits would produce some benefits, and provide lessons for a later, more comprehensive, system
 - but the capacity for gamblers to circumvent the limits they set represents a major deficiency.
- A ‘full’ pre-commitment system would allow players to set binding limits. This requires:
 - identification of all players (except for occasional gamblers making small bets), but with strict privacy arrangements
 - a system that applies to all machines and venues.
- To make the system work well, there would need to be ‘safe’ default settings with players able to choose to override these with other (including no) limits.
- Phased implementation would involve the development of standards and the earlier adoption of partial pre-commitment as the precursor to rolling out full pre-commitment in all jurisdictions by 2016.
- Some other regulatory measures for gaming machines may ultimately be modified or removed if pre-commitment proved sufficiently effective.

This chapter is about regulatory options that would give people the opportunity to constrain their behaviour when in gambling venues (pre-commitment), with limited potential for reversal. From a ‘normal’ consumer or business perspective, pre-commitment seems perplexing. As one researcher noted:

In 1989, a casino opened in Manitoba, Canada. No one was forced to gamble there, no one was compelled into being a customer – the usual story with businesses. But the Canadian casino went beyond non-coercion: it provided a mechanism that allowed customers – often the casino’s best customers – to commit to becoming non-customers. (Leitzel 2008, p. 1)

While, as discussed below, pre-commitment options are available for some goods (and to a limited extent in gambling already), they are typically market-based and rarely the norm. So why is government justified in taking a regulatory approach to pre-commitment? Section 10.1 addresses this issue.

Section 10.2 then assesses existing self-exclusion arrangements. This is a regulatory (and self-regulatory) approach to pre-commitment, targeted at those gamblers already suffering severe problems.

Sections 10.3 and 10.4 consider the appropriate design of arrangements with broader reach, flexibility and ambitions. There are two major forms that pre-commitment could take, whose fundamental difference rests on the extent to which gamblers are bound by their commitments. Section 10.5 considers how a ‘partial’ pre-commitment system (a system with non-binding pre-commitments) would work, and its strengths and weaknesses. Section 10.6 considers the ‘full’ pre-commitment model, which binds gamblers to their choices, and in doing so, requires consideration of a host of design issues that are not present for partial pre-commitment.

Pre-commitment represents a far-reaching change in the gaming environment, and its practical implementation requires the development of new standards, investments in new monitoring systems and trialing. While the details of the transition to pre-commitment are spelt out in chapter 19, some of the issues are discussed in section 10.7. Finally, section 10.8 considers the auxiliary functions such a system might have and their implications

10.1 Why should player choice and control be a policy issue?

Consumers have many choices apparently available to them when gambling. They can determine when, how long, how much, where, and on what to gamble. They can

also make decisions about their playing styles — such as the level of risk they wish to take, and choices about lines or credits played, first places or trifectas, and so on. Like any other consumer service, the market accommodates, reinforces and creates these choices, with a plethora of different gambling options spanning all of these consumer preferences.

Codes of conduct for many gambling providers define when such consumer choices would be trouble-free:

... responsible gambling in a regulated environment is when consumers have informed choices and can exercise a rational choice based on their circumstances. (ALH Group Code of Conduct June 2009, p. 2).

However, the conditions needed for such informed and rational choices are incomplete, so that the outcomes can be problematic in gambling. As discussed in chapters 4 and 5 (and below), players may:

- have faulty ‘cognitions’ underpinning their choices
- find it hard to stop playing
- fail to appreciate the risks to themselves (‘It might happen to someone else, but not me’)
- have their judgment impaired by alcohol (since the main venues offering gambling — casinos, clubs and hotels — also offer alcohol)
- be vulnerable, such as people suffering from emotional or mental health problems.

All of these factors serve as obstacles to genuinely informed choice and ‘safe’ gambling behaviours. (Chapters 8, 9 and 11 make recommendations that partly address these concerns.) A leading Australian researcher in this area has argued that a limited capacity for self-control while gambling is common and problematic:

Impaired ability to control cash and time expenditure during gaming is not about pathology, it is a typical human response that despite all the notices and warnings is commonly reported by almost every other regular player ... If this is taken as a common sense starting point then the obvious question is whether these regular consumers of gaming are getting a fair go? If any other product than gaming were involved then the answer would clearly be “no”. It would be entirely unacceptable for a product to be sold in an automated, emotionally distracting way that resulted in every other regular consumer buying more than they intended. (Dickerson 2003a, p. 2)¹

¹ Also see Dickerson (1998, 2003b, 2003c) and Dickerson and O’Connor (2006).

Gamblers will generally be aware of the risks that gambling poses — having realised their past difficulties to exert control. Accordingly, many gamblers want to be able to control their future behaviour.²

The desire to have control over one's future behaviour is not peculiar to gambling, being a much more common aspiration. Indeed, it has a classical heritage. In Homer's *Odyssey*, Ulysses has himself bound to the mast of his ship to avoid the temptations of the call of the Sirens.

In many cases, markets or individual arrangements have developed to allow people to make effective pre-commitments. People limit their short-term spending by committing money to retirement savings, fixed term deposits and Christmas clubs.³ More recently, market innovations have given people the scope to motivate their weight loss or to quit smoking by staking amounts they will lose if they fail to achieve self-designated targets (Volpp et al. 2008 and Giné et al. 2009). In these cases, it is possible for an outside party to verify that a person has achieved weight loss, met financial goals or stopped smoking or taking drugs (the latter through blood tests), and an incentive for those outside parties to act this way. The capacity for verification and the presence of incentives to do so by a third party is essential in any market solution for rewarding commitments (or punishing non-commitment).

However, in gambling, there are limited market responses and few individual arrangements that, in the absence of regulation, could act as effective pre-commitment strategies. In part, this is because it is hard for an outside party to verify that a person has controlled their gambling. In addition, it is unlikely that self-imposed monetary incentives to limit gambling would be effective, given that uncontrolled gambling already provides strong financial incentives not to gamble excessively. Gamblers' self-control strategies rely fundamentally on willpower (box 10.1).⁴ But, based on evidence of player behaviour, Dickerson observed:

... loss of control is the common and expected outcome of the interaction between human beings and contemporary forms of continuous gambling.

² Of problem gamblers receiving counselling, around 63 per cent said that, when they had a problem with their gambling, they often or nearly always wanted to control their gambling. Only 11 per cent rarely or never wanted to control their behaviour.

³ Though a weaker form of pre-commitment, people often use pre-paid mobile phone plans to limit their tendency to accumulate large mobile phone bills on 'pay as you go' plans. A similar example from the addiction area is the voluntary ingestion of the drug disulfiram (Antabuse) by dependent drinkers, who know they will feel very ill if they subsequently consume alcohol (Ross et al. 2006, p. 52).

⁴ Unfortunately, it is hard to assess the effectiveness of the individual strategies used by gamblers. McDonnell-Phillips (p. 246) does pose questions about how well various strategies work, but they are asked of all gamblers, not just those who actually apply those strategies.

So, while the combination of willpower and the strategies described in box 10.1 may indeed help many people, they will not work for many others.

Box 10.1 People do try to control their spending

EGM players use many strategies to control their gambling. For example, they try to:

- set themselves limits on money spent on gambling. Mostly, these limits were per session of gambling or per week, and for about one third of EGM gamblers were set after arriving at the venue. Gamblers less often set time limits, though problem gamblers did this much more frequently than lower risk gamblers
- using 'willpower' to limit their activities
- make themselves feel guilty if they exceed limits to discourage future excessive spending
- plan another diverting activity other than gambling
- play on low denomination machines and avoid making large bets
- avoid using ATMs or setting limits on their withdrawals from their accounts
- use ingenious strategies to control their entry to gaming venues. Problem gamblers reported to the Commission that they had used strategies like wearing thongs when going out so that they would fail dress standards for entry to the venues, or putting their debit and credit cards in the freezer, so that they literally have a self-imposed 'cooling' off period prior to gambling.

There is some evidence that non-problem gamblers commonly set target limits for their spending, but that this was less frequent among problem gamblers.

Source: McDonnell-Phillips (2006, pp. 95, 103, 107, 139, 150, 164, 222); Nower and Blaszczynski (2010); feedback to the Commission by gamblers.

This is because self-imposed limits are not commitments. People can reverse them without penalties. Accordingly, the capacity for such resolutions to create sustained control is incomplete, especially in some circumstances commonly encountered by players. EGM players reported a much higher likelihood of exceeding their spending limits when they were consuming alcohol, or when they were in certain emotional states, such as feeling bored, lonely, stressed or sad. There were greater responses to these emotional states in problem gamblers (McDonnell-Phillips, pp. 182, 193).

Second, people may not even be aware about the extent to which the environment in which they gamble may affect their decision-making, especially when that is combined with common faulty cognitions, vulnerability and poor recall of actual losses (chapter 4 and appendix B).

As a result, the strategies listed in box 10.1 have incomplete efficacy:

- Around 70 per cent of EGM players report that they at least sometimes exceed their spending limits, with 12 per cent doing so often or always. Higher risk gamblers exceed limits more frequently and report greater harm from doing so. Players reported greater problems limiting expenditure on EGMs compared to other recreational activities, like consuming alcohol, spending on tobacco and entertainment/leisure activities (p. 140).⁵
- As shown in chapter 4, while lower risk gamblers have a small probability of having control problems, there are so many low-risk players that the absolute number affected is large.

Reflecting their control difficulties, many gamblers also have persistent regrets about their past gambling behaviour (chapter 4).

Given that there are no effective pre-commitment options available to gamblers, and markets are unlikely to develop them, there are grounds for governments to create such options through regulation. In addition, the other problems besetting informed choice, as described earlier, may also justify default playing options that gamblers may override.

Whether pre-commitment measures are appropriate in practice depends on:

- the likely effectiveness of the measures
- the monetary and non-monetary costs of any proposals for venues and gamblers, including inconvenience and any erosion of people's autonomy
- privacy concerns and the receptiveness of gamblers to the options for control.

These questions cannot be answered without reference to specific models of pre-commitment. Some models are likely to be low cost, but of only partial effectiveness. Others may be difficult to implement, at least in the short run. Some measures — notably self-exclusion — are already in place in all Australian jurisdictions.

10.2 Self-exclusion

Self-exclusion is an extreme form of pre-commitment, in which gamblers can bar themselves from one or more gambling venues to prevent themselves from gambling, with legislation empowering venues to enforce their commitments.

⁵ McDonnell-Phillips (2006, pp. 139–140, 150 and 164).

There are significant benefits

Though the evidence is not comprehensive (appendix E), it suggests that this type of pre-commitment arrangement has significant benefits for problem gamblers and their families. These include:

- considerable reductions in spending. For instance, one assessment found that around 70 per cent of self-excluded parties had more than halved the amount they spent on gambling (Croucher et al. 2007). This finding was broadly echoed by a Macquarie University study in 2003 (sub. 175, p. 87)
- better family relationships — with the Macquarie University study finding that 65 per cent cited significant improvement in their personal relationships
- reductions in the urge to gamble, large perceived increases in control over gambling, and significant reductions in the negative consequences of gambling for social life, work performance and mental health (based on the overseas research discussed in appendix E).

There are also limitations

However, self-exclusion arrangements currently suffer from various limitations — most of them outlined by Betsafe in its submission to this inquiry (sub. 93).

Many who need it do not use it

The key deficiency is that the majority of problem gamblers do not use it. It is estimated that around 15 000 exclusion agreements are currently in place (appendix E), which represents only around 10 to 20 per cent of the problem gambling population (chapter 4). (However, the target population may also include people who had problems in the past and wish to continue to abstain from gambling. Lifetime rates of problem gambling are much higher than current prevalence rates — chapter 4). There is a clear need to reduce some barriers to self-exclusion, such as:

- limiting embarrassment in instigating the process, which can be heightened in smaller rural communities where everyone knows everyone (New South Wales Gambling Roundtable 2008, p. 26)
- removing any unnecessary complexities in the application procedures. For instance, the Multicultural Problem Gambling Service in New South Wales indicated that the complexity and wordiness of the self-exclusion forms were barriers for people with limited proficiency in English (New South Wales

Gambling Roundtable 2008, p. 9). Betsafe noted that it had developed a short and simple self-exclusion deed, but that:

... many venues use lengthy self-exclusion documents full of legal jargon that may require a legal explanation. Such documentation is another disincentive to problem gamblers seeking self-exclusion. (sub. 93, p. 18)

- providing a capacity for exclusion from multiple venues in one step. For example, in New South Wales a gambler must separately apply for self-exclusion for each club, whereas they can bar themselves from all hotels in one step using the Australian Hotels Association Game Care program.

Gamblers can circumvent their exclusion deeds

Despite the advantages and relief that self-exclusion provides to problem gamblers, it is relatively easy for people to circumvent it. In particular, people barring themselves from a hotel or club will generally find it easy to enter a venue where they have not been before, with little realistic prospect that staff can identify them (IPART 2004, pp. 77–8).⁶ The evidence is consistent with this, showing that relapse rates are relatively high, with many people breaching their agreements (for example, 45 per cent of male participants in the study by Croucher et al. 2007, with similar estimates from overseas studies and the Commission’s survey, table F.19).

The prospects of identification are greater for people with problems related to table games, since these games are only available at casinos. In addition, casino staff are highly trained and casinos undertake sophisticated electronic monitoring of the whole premises. However, even Star City Casino has acknowledged that detecting self-excluded gamblers can be very difficult given the sheer numbers of visitors to their venue (New South Wales Gambling Roundtable 2008, p. 16).

The effects are not enduring

In addition, the effects of self-exclusion are often not sustained. Many return to gambling after a short period of exclusion — some 75 percent in the study by Croucher et al (2007). The potential for an early return is exacerbated by the capacity of a gambler to renege on their agreement and to obtain a revocation before the time on the agreement has elapsed. Accordingly, while, in theory, people can elect to self-exclude for long periods (for example, two, five years or forever), these

⁶ Notably, the 2008 Victorian prevalence survey found that around 50 per cent of problem EGM gamblers gambled at four or more venues, compared with only 10 per cent of no-risk EGM players, indicating the ‘footloose’ behaviours of the highest risk group (Hare 2009, fact sheet 8, p. 5).

are more symbolic gestures than authentic pre-commitment, as the gambler can seek revocation in as little as three months after making the ‘commitment’.

It is inflexible

Moreover, while some venues have a more nuanced approach, self-exclusion is typically an extreme form of pre-commitment that only allows complete abstention. Parke et al. (2008, p. 7) characterised it as potentially ‘a more extreme, rigid and possibly stigmatising option’. Many problem gamblers will prefer to reduce, rather than completely stop playing. Self-exclusion is also not a useful tool for recreational gamblers who may want to limit their time or spending on gambling.

It is often too late

Finally, people often decide to self-exclude only after they and their families have experienced severe financial losses and other adverse effects. It is a remedy that may come too late for many gamblers and their families.

Some solutions

The deficiencies of existing self-exclusion arrangements have been recognised for some time. IPART (2004) made a raft of recommendations for changes. However, in that instance, the Self-Exclusion Advisory Group⁷ — subsequently formed by the New South Wales Government — could not reach consensus on most of the key issues (Minister For Gaming and Racing 2007, pp. 28–9). The New South Wales Government is currently re-considering the issues (sub. 247, p. 37). Similarly, there is no clear resolution of all of the key issues in most other jurisdictions, and there is a diversity of arrangements across jurisdictions and, within jurisdictions, between venue types. This frustrates the development of a coherent approach. Casinos have the most developed set of arrangements (appendix E).

There is much scope for reform. Some of the flaws of the existing arrangements would be best addressed by the broader pre-commitment approach discussed below. However, implementation is some years off (chapter 19). In the meantime, governments and venues could address the deficiencies of the present approaches in several ways.

⁷ This comprised representatives of operators of schemes, counselling services, community groups and industry.

Reducing obstacles to self-exclusion

One avenue is to make it easier for people to self-exclude. People should have a variety of options for activating agreements quickly, either at the venue or outside the venue (for example, at a counselling agency). And forms should be in plain English, as would any material explaining the legal and other implications of the agreement.

Some participants argued that the current process involving an interview was highly desirable because it could be used provide advice about counselling or other assistance, and to explain the legal and other implications of the agreement (Australasian Casino Association, sub. DR365, attach. 3, p. 18; Clubs Australia, sub. DR359, p. 38). Given the value of interviews, the Commission considers that it should be the default option recommended by venues to parties requesting self-exclusion. However, gamblers should be offered the ‘simple form’ approach as an alternative if they want to avoid an interview.

In addition, given the embarrassment or shame many people naturally experience in seeking to exclude themselves, when practicable it would be desirable to introduce options that allow them to self-exclude without being physically present. One ‘remote’ option is detailed in box 10.2.

Many people would not be covered under this remote option, but so long as it was possible to reach a sufficient number of patrons, the investment in the software would be likely to be cost-effective.

In addition, it is important to allow relatively short periods for self-exclusion. Long minimum durations for self-exclusion may deter some people from self-exclusion altogether (an observation made by several participants in this inquiry).

Sustaining self-exclusion: revocations and extensions

While self-exclusion agreements specify some period for the agreement, they also usually allow parties to revoke their agreements prior to that time. A key question is the appropriate latitude for such revocations.

Box 10.2 Remote exclusion?

Since clubs are membership-based organisations, it would be possible to give any member a unique password, ideally incorporated into the club membership card. In hotels or casinos, loyalty cards might serve the same function if the gambler has one. If the card holder subsequently wanted to self-exclude, they could email the password to an email address indicating the desired period and terms of their agreement, without personal presentation or phone to activate an agreement.

To ensure that third parties did not activate self-exclusion without the consent of the gambler, the password selected by the gambler would be like a bank PIN — only known to the patron concerned. In addition, the software could automatically generate an SMS to the patron's mobile phone confirming self-exclusion (also a procedure used by banks in certain circumstances). Such a protocol would leave an electronic trail if someone other than the gambler concerned were to activate exclusion (which would then be a basis for immediate revocation).

There may be other innovative approaches for remote activation, noting that new technologies now allow remote access to many goods and services — including government services.

One possibility is that gamblers would have to honour their agreements in full. That implies that someone who self-excluded for life could never reverse that commitment, even if their gambling issues were fully resolved and they were capable of gambling in a controlled way. That approach would be too rigid, recognising that, just as people may make impulsive gambling decisions, they may also make impulsive decisions about self-exclusion that are unnecessarily restrictive.

Another would be to have a self-exclusion system that could be revoked at any time. The ACT Treasury (sub. DR338, p. 2) supported this position, arguing that any limits on revocation could be problematic due to concerns about contractual relationships and enforceability. They noted that a licensee could still initiate a 'licensee exclusion' if the patron remained at risk after revoking their agreement. In practice, the capacity for such 'licensee exclusions' would be limited. Licensees face mixed incentives to act and often would not have the full information to justify a licensee exclusion. In addition, typically other jurisdictions have minimum non-revocation periods supported by legislation, without the contractual or other problems identified by the ACT Treasury (appendix E).

Set against these two extreme options, there should be some balance between pre-commitment and revocation. The existence of some reasonable period of non-revocation (say six months) would make a self-exclusion arrangement a

genuine form of pre-commitment, without being overly rigid.⁸ The requirement for a reasonable non-revocation period could nevertheless permit a short cooling-off period (say 24 hours) after signing an agreement if people entered agreements impulsively.

In addition, as already applies in most Australian casinos, it would be appropriate that gamblers seeking to revoke their agreements demonstrate that they have received counselling. There should not be any requirement (as suggested in the draft report) to show that the problems have been sufficiently resolved. (Counsellors could not realistically provide such ‘proof’.)

While it is reasonable to create some barriers to revocation, there should be few barriers for people wanting to extend their self-exclusion agreements. Jurisdictions should introduce reasonably simple and accessible processes for persons with existing agreements to easily apply for their self-exclusion periods to be extended (where this extension is a new agreement incorporating another minimum non-revocation period).

Limiting the incentives and capacity to breach exclusion agreements

Existing arrangements mean that self-excluded gamblers have little capacity for exercising self-responsibility, since any resolution made when they have self-control can be trumped by moments when self-control is weak. In these moments, such gamblers can subvert self-exclusion arrangements by going to new venues where they cannot be identified. A more binding self-exclusion process would genuinely allow a gambler to exercise binding self-responsibility.

Current procedures for enforcing self-exclusion are based on venue staff either knowing the self-excluded patron (which would be typical in a small town) or being able to recognise them from photos distributed, sometimes to many venues, at the time that patrons sign self-exclusion agreements. The latter has significant deficiencies in crowded venues, where there are many new customers and where

⁸ An alternative to having a fixed non-revocation period is to have a rolling period. In such a situation, a party would have to wait some reasonable period (say six months) after applying for revocation before that revocation came into effect. For instance, someone who has been self-excluded for two months could request revocation, but would have to wait until eight months before actual revocation would occur. An even more elaborate option would be a combination of ‘fixed’ and rolling arrangements, which would mandate a minimum non-revocation period, followed by the rolling requirement (say three months and three months). The disadvantage of a fixed non-revocation period, by itself, is that even if someone has elected to have a one-year agreement, she or he could instantly abrogate the agreement at any time after the non-revocation period.

venue staff are required to familiarise themselves with the appearance of many self-excluded parties.

To overcome the difficulties of truly enforceable self-exclusions, Eadington (2003) has proposed a ‘licence’-based approach to self-exclusion. A person spending above some minimal amount would need to register and receive a gambling licence, such as a card, which would need to be inserted into a gaming device before play. If someone self-excluded, the licence would be revoked. This shares some features with full pre-commitment described in section 10.6 below, but without the capacity to gamble within self-imposed limits.

Prior to implementation of full pre-commitment, the Commission has proposed an alternative, less costly arrangement, to that of Eadington:

- a gambler wishing to self-exclude could elect to be self-excluded from one or a few venues using the current arrangements and/or they could elect to be placed on a state-wide database that would be accessible by nominated venue staff and with clear privacy guidelines
- the cashier or cheque-issuer would check a patron’s identification against the database when the patron was collecting a large prize.⁹ Problem gamblers tend to play at higher intensities, for longer session lengths and more times a year (appendix B). That necessarily means that they are over-represented among people winning large prizes, so checking a database at the time such cheques were issued would be a well-targeted measure. Some casinos already check their databases for self-excluded customers when issuing cheques for prizes.
- the Commission envisages that venue staff would only access the database when they issued such cheques.¹⁰ Venue staff would *not* use the database for haphazard attempts to detect problem gamblers in the venue — the thousands of people on the database would make that an onerous and unachievable goal. (Various participants misunderstood the Commission’s draft proposal as a general surveillance tool when it is not.)
- there would be forfeiture to government of prizes won by persons shown to be in breach of self-exclusion orders.¹¹

⁹ Identification requirements proved effective in achieving a high rate of compliance with self-exclusion in Dutch casinos (Leitzel 2008, p. 4). Swiss casinos have similar identification requirements (Thompson 2008).

¹⁰ Though a variant could include permission for staff to crosscheck patrons against the database based on certain problematic behavioural cues, such as requests by gamblers to strangers to lend them money.

¹¹ As already occurs in Victoria and supported by Betsafe in this inquiry (sub. 93, p. 15).

Forfeiture of prizes won by a self-excluded patron would reduce the incentive to breach, while a capacity to self-exclude from all venues offering the problematic form of gambling (for instance all clubs and hotels across a jurisdiction) would make it harder for gamblers simply to switch venues. Betsafe, which already has a forfeiture arrangement in place, noted that:

In practice, it has not been necessary to carry out the forfeiture, because the thought that a prize might be forfeit is enough to discourage most self-excluded patrons from trying to re-enter BetSafe venues. (sub. 93, p. 15)

The costs to venues of such an approach would be reduced by:

- allowing phone as well as internet access to the database. (The latter would be superior because it would potentially allow photographic identification, but may not be practicable for some venues.)
- ensuring that the prize was large enough to reduce the number of times staff would need to access the database.

Allowing others to act

As noted, self-exclusion can often occur too late — well after the gambler and their family members have experienced significant harm. In that instance, there are (highly constrained) grounds for ‘pre-commitment by proxy’ by parties who have a better capacity to observe problems before others, have the interests of the gambler at heart, and can make better-informed and more rational decisions than the gambler. Similarly, there is a rationale for staff-initiated involuntary exclusions on welfare grounds.

Currently, jurisdictions have legislative protection that allows venues to offer third-party and staff initiated exclusions, but gives them discretion about whether to provide such programs (appendix E). Some do offer such programs. For example, one industry-based arrangement, Betsafe, has had third-party exclusion arrangements in place since 1998, though the arrangements are not widely used. Betsafe clubs received only several hundred inquiries about third-party exclusion over the decade from 1998 to 2009, with only 27 of these resulting in exclusion (Betsafe, sub. 93, p. 22; Betsafe 2008). This is small compared with the current stock of self-exclusions for these clubs.

However, the formal capacity for third parties — families or gambling suppliers — to act is not universal (appendix E).

Clearly, it would be important to limit the scope for unfair or vexatious third party exclusions, but the Commission is not aware of any difficulties in those

jurisdictions or venues where arrangements are in place. Consequently, there are grounds for a universally available option for venues and family members to use involuntary exclusion arrangements of the kind outlined by Betsafe in its submission to this inquiry.

RECOMMENDATION 10.1

Governments should modify self-exclusion arrangements for clubs, hotels and casinos, so that:

- ***while the default option would be an interview-based process, gamblers would also have the option of applying for self-exclusion using a simple form and without delay***
- ***gamblers would have the option to apply for a jurisdiction-wide self-exclusion agreement, given effect by requiring that venue staff:***
 - ***request identification when issuing cheques for all gamblers claiming major prizes***
 - ***match identification against a state-wide database, subject to strict privacy guidelines and only to be used when verifying that parties claiming major prizes are not on the database.***

As in Victoria, prizes won by people shown to be in breach of self-exclusion orders should be forfeited to government revenue.

RECOMMENDATION 10.2

Governments should ensure that, in any of the self-exclusion programs offered by venues:

- ***gamblers have the choice of:***
 - ***immediately invoking self-exclusion at the venue (without interview), or***
 - ***excluding themselves at a place outside the venue or, to the extent practicable, by phone or internet***
- ***subject to evidence and due process, there should be a capacity for family members to make applications for third party exclusions and for nominated venue staff to initiate involuntary exclusions of gamblers on welfare grounds.***

Governments should ensure a balance between flexibility and enabling agreements to be binding, by:

- *providing the option for various periods of self-exclusion, with the potential for self-excluded people to revoke their agreements after an appropriate minimum period, subject to evidence of attendance at a counselling service*
- *providing reasonably simple and accessible processes for people with existing agreements to easily extend their self-exclusion periods.*

10.3 More flexible pre-commitment arrangements

Despite its shortcomings, self-exclusion appears to have been an effective measure for many problem gamblers, with scope to improve the arrangements further. However, as noted above, self-exclusion is like a light switch — on or off — with little capacity for nuanced control. It is the personal equivalent to a statewide prohibition of gambling. It may often work to stop gambling, but it also eliminates any possibility for pleasurable entertainment — offering what one participant referred to as a ‘bleak dichotomy of choice’. For that reason, this rigid form of pre-commitment has little relevance for gamblers generally.

Yet, as noted earlier, the nature of some continuous forms of gambling — particularly gaming machines — may lead to impaired control in even recreational gamblers, and a justification for pre-commitment. Pre-commitment involves consumers pre-setting the terms of their future gambling, in ways that address the harms — small or large — that they associate with gambling. Since the consumer sets these options, pre-commitment is consistent with consumer sovereignty. And, just as is the case for self-exclusion, pre-commitment gives people with control problems a capacity for exercising self-responsibility. It is a regulation that reinforces, rather than erodes, personal responsibility (chapter 3).

The most important element of pre-commitment would usually be spending, but, as discussed later, there are many other possible options.

In the Commission’s view, while a pre-commitment facility would clearly help many problem gamblers, its target is primarily regular players. This was a view echoed by some participants in this inquiry, albeit questioned by others:

Given the speed and rate of play along with computer technology both now and in the future we believe the introduction of smart technology/cards for all EGM play would normalize their use and create a basic safety mechanism for all gamblers no matter

what bet size. (Gambling Impact Society (NSW) Inc, Response to the proposed Poker Machine Minimisation Bill 2008, p. 4)

[Pre-commitment] ... is essential to protect the rights and freedoms of ALL Australians (including those of problem gamblers, non-problem gamblers, their families, their friends and their co-workers). (Duty of Care, sub. 177, pp. 1–2)

The technologies that have raised consumer risks by increasing the intensity, speed and pleasure of playing have also raised the potential for the adoption of technologies that address those risks. While there is no consensus about the best technological ways to deliver pre-commitment, or its exact features, governments, gaming technology suppliers, gambling operators and researchers around the world have explored pre-commitment. And some countries and venues have implemented, or will shortly implement, pre-commitment systems (box 10.3).

Putting aside for a moment important practical issues — such as the timing of its implementation (chapter 19) — it is useful to assess the advantages and disadvantages of different kinds of pre-commitment systems. There are many different choices about the nature of pre-commitment systems (figure 10.1), with the effectiveness of the system likely to be highly sensitive to the details of the policy. The effectiveness of the policies depends on several overarching factors:¹²

- *salience*: an adequate range of features — such as spending limits, warnings or player statements — that address the major problems consumers experience
- *leakage*: the capacity of player to circumvent any pre-set limit (such as by swapping player identification devices or playing on another gambling form not covered by the pre-commitment system)
- *pleasure*: how it affects entertainment value
- *burdens on occasional gamblers*: those regular gamblers experiencing no control or other problems at all (noting that from Dickerson’s perspective, many regular gamblers will, in fact, face problems, given the nature of the product)
- *costs*: for venues and network system providers (such as equipment acquisition, staff training and compliance burdens).

¹² Other factors, like the complexity of any system, the receptiveness of consumers, and the adequacy of privacy protection (see later), are relevant too. However, these are relevant because they affect leakage, pleasure and burdens, and not in their own right. For example, a complex system may erode the pleasure of playing and discourage the occasional gambler.

Box 10.3 An increasing interest in pre-commitment worldwide

Governments around the world have shown an increasing interest in pre-commitment by:

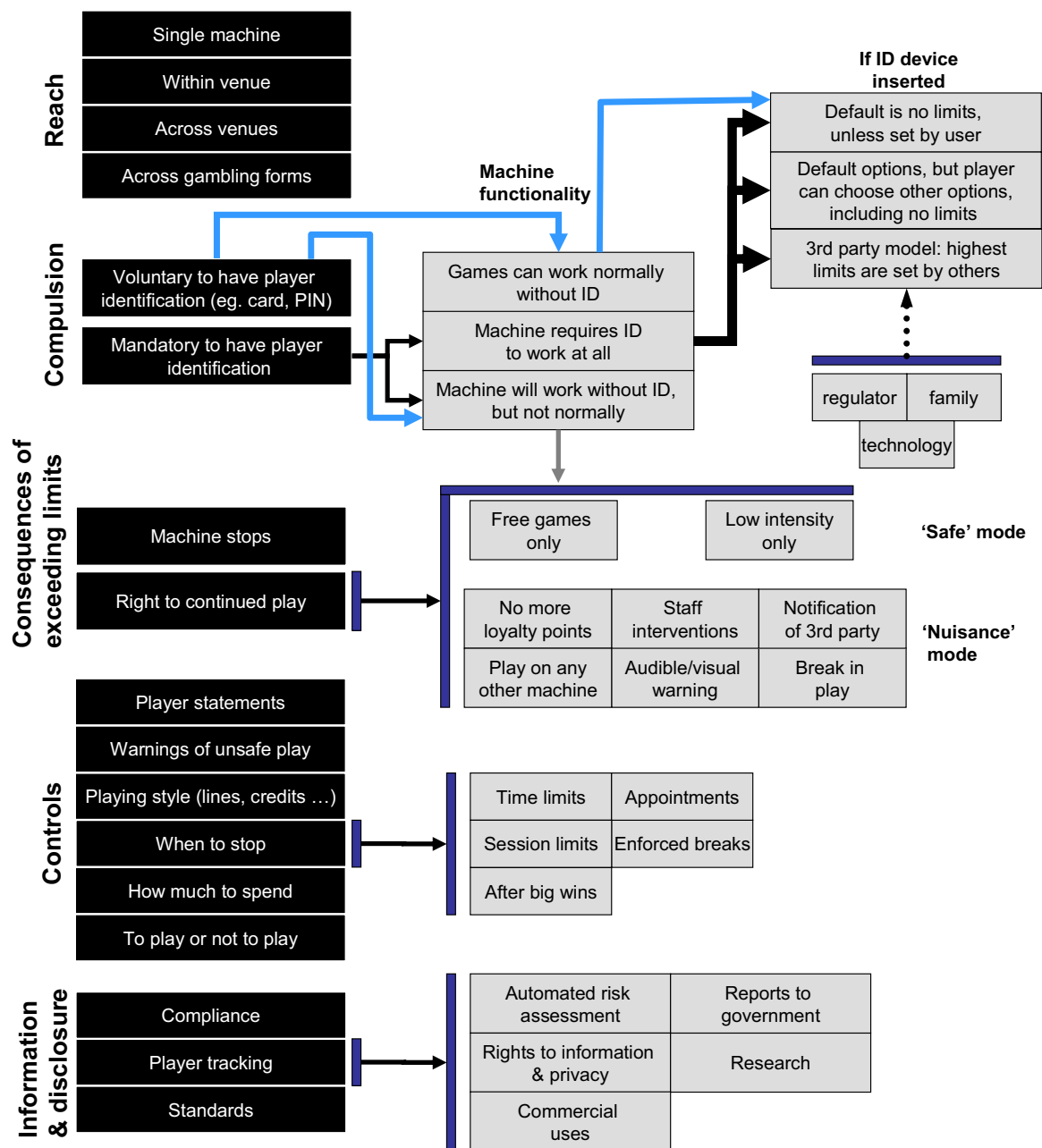
- commissioning research into pre-commitment behaviours (McDonnell-Phillips 2006) or exploring its potential adoption (Parke et al. 2008, the South Australian IGA, IPART and others)
- undertaking trials of particular systems — in clubs in Queensland and in hotels in South Australia
- implementing (or planning to implement) pre-commitment, such as:
 - the Victorian Government's legislated intention to introduce some form of pre-commitment in that state for all machines by 2013 and a more stringent regime in 2015. The government has already undertaken preparatory work on tenders for compatible monitoring systems, and pre-commitment will be required on all new machines by December 2010
 - the use of a single system throughout Norway run by Norsk Tipping, the monopoly gaming provider
 - plans for the region-wide adoption of pre-commitment cards in Nova Scotia (Canada) in 2010, following trials in Windsor and Mount Uniacke, for the six months to March 2006
 - systems for pre-commitment in the new casinos in Singapore (Ryan 2008)
 - pre-commitment options for New Zealand's online lottery (MyLotto).

Private operators have sometimes introduced their own systems. For instance, in Victoria, Crown Casino introduced a scheme, *Play Safe*, which is an optional, non-binding pre-commitment facility available to Crown Signature Club members. This was apparently the first casino globally to install such a pre-commitment system. Players can set daily and annual limits on spending and time. Should these limits be exceeded, users are alerted by an audible warning sound and a visible dialogue box on screen. Should they continue to keep playing, loyalty points will no longer accrue. Players can set lower limits immediately, but any increases will not take effect until 24 hours later, and must be re-confirmed by the player at that time, and again at each of the next three visits to the casino (or the previous limit will apply). A transaction record is provided annually (or more often if requested). A player can, at any time, remove their loyalty card and play on any machine without the limits applying. Apparently, initial take-up of *Play Safe* was low, but it has been growing.

Nisbet (2005a) describes a card system in a New South Wales club with some player controls.

Australian online gambling operators — like Betfair and Centrebet — already offer a range of pre-commitment options, with the advantage over physical venues that their gamblers can readily be identified (through the payment system). In the Commission's 1999 inquiry, Lasseter's online casino provided a comprehensive set of pre-commitment options, but with the passing of the Interactive Gaming Act, the casino could no longer operate.

Figure 10.1 Key pre-commitment options^a



^a In all systems, identification requirements relate to use of the machine, not to any requirement for patrons to identify themselves to venue staff. As is the case with using an ATM or online account, a player would use a card, PIN or some other method to gain private access to their settings.

In designing any pre-commitment system, there are two fundamental issues.

- Should people be bound by the pre-commitments they make? Under 'partial' pre-commitment, people are not obliged to be in the system. When they are, they can choose to set or not to set limits, and if they breach such limits, they can continue to play. In contrast, under 'full' pre-commitment, people must be in the system, but voluntarily set limits. If they set limits, they are bound by them.

Often the former is referred to as ‘voluntary’ pre-commitment and the latter as ‘mandatory’. However, these labels are confusing. Both systems are essentially ‘voluntary’ since the gambler can choose whether to set a limit in either.

- What could be the useful pre-commitment options available for gamblers?

Section 10.4 examines the latter, while sections 10.5 and 10.6 examines how partial and full pre-commitment systems would work, and their respective advantages and disadvantages.

10.4 What limits or other options might be available for players?

Under either partial or full pre-commitment, consumers could have a wide range of choices. Typically, they would only set these infrequently, with their player card (or other device) ‘remembering’ their preferences. Of course, any system would allow gamblers to alter their options, and in some systems (see below), players would be periodically requested to re-affirm their choices.

Beyond the obvious need for any pre-commitment system to include user-specified spending limits, gamblers could potentially be given the option to pre-commit on almost any feature of playing a game (Regis Controls, sub. 82), including:

- limits on time spent over some reasonable period, such as per session, per day, per week or month (as in the South Australian J Card system). For instance, a player might set no more than two hours play a week or no more than five sessions of gambling per week
- warnings about when to go home or to attend to other responsibilities. For instance, as in time management software on personal computers, the gambler might choose to insert a message like ‘Your shift starts in 30 minutes’
- stopping play when a win exceeds a certain amount, premised on the gambler’s concern that they may find it hard to resist continued play after what they see as a ‘big’ win (for example, that may be \$20, \$50 or \$250). This would give players options for ‘banking’ their wins beyond recommendation 13.3
- limiting the intensity of play (for example, no more than 10 lines and 5 credits; or no more than one dollar per button push)
- breaks in play (for instance, 20 minutes off after every two hours of continuous play)
- on screen player information that provide records of wins, losses and time spent over any desired period. These are already provided in Crown Casino’s *Play*

Safe system and Victorian gaming machines. In qualitative research, gamblers say that these would be useful (Nisbet 2005b) and on-screen account information was widely used in the Nova Scotia pre-commitment trial (appendix C).

Some options could only realistically occur in a full pre-commitment system. For instance, by its nature, self-exclusion is a binding commitment. Full pre-commitment would allow the gambler to set self-exclusion for any desired period (with technologically-based self-exclusion being anonymous and therefore less embarrassing for a problem gambler than the current processes). As the incremental costs of an IT-based self-exclusion system are close to zero (unlike current exclusion arrangements), it would also be cost-effective for players to self-exclude for even short periods, like a day

In practice, under either full or partial pre-commitment, too complex a set of options would be likely to be problematic for consumers. The behavioural evidence suggests that faced with a complex set of options, consumers may make poor decisions and/or face ‘status quo bias’ where they stick to choices made in the past, even though they would be better off by changing.

10.5 How could partial pre-commitment work?

The model usually proposed for partial pre-commitment involves:

- the voluntary uptake of an identifying device, typically a loyalty card, with gaming machines fully operational for players who are not enrolled
- player-determined spending and time limits, reminders and transaction records. In fact, gamblers rarely use time limits when included as a system feature (appendix C), suggesting that people do not see control over time spent as a problematic issue for them
- an audible and/or visual warning when a limit is reached and a short break in play. Since the player could move to another machine and play unhindered, any consequence for breaching a limit must necessarily be small.

Broadly, the pre-commitment trials conducted in Queensland and South Australia have included such features. Partial pre-commitment has several advantages. It:

- can assist people in setting goals and in gaining awareness of their play, especially among gamblers without severe control problems. Many people might still keep to their pre-set limit, though free not to do so. The evidence from one of the Nova Scotia (at the time, partial) pre-commitment trials was that of the people reaching their limit, around 60 per cent stopped play (while 40 per cent removed their card and continued to play)

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- would signal to people that there were risks associated with playing machines, and that they were not like other entertainment activities — encouraging prudence
 - might make people aware that they were losing control of their gambling if they commonly found they were exceeding their self-imposed limits. It might then prompt remedial actions to control spending — like bringing less money to a venue or coming less often
 - could be used as a mechanism for recording transactions and providing players with a player transaction record. This was seen as a useful feature by the majority of card users in the Nova Scotia trial (Omnifacts Bristol Research 2007). On the other hand, the uptake of player transaction statements has apparently been low when it has been offered as a feature of machines in Australia (Betsafe, sub. DR345, p. 4). A key issue with such statements would be gamblers' ease of access. Paper records or information available on second screens are likely to be less used than information provided on the primary screen
 - would impose no costs on those gaming machine players with no interest in pre-commitment (they simply enter the venue and play in their customary fashion)
 - might be seen as less paternalistic in that there would be no requirement to have a card or any other identification to use it
 - would involve reduced costs of implementation for venues. It could be rolled out gradually as venues replaced machines and introduced software upgrades, and could be an adjunct to cashless gaming (as in the Maxgaming Simplay system used in Queensland). In addition, security for the card (or other ID) could be lower since gamblers with control problems would have no incentive, as they might under full pre-commitment, to fraudulently obtain or forge new IDs if they had exceeded a limit. As noted in appendix C, Maxetag has flagged an intention to extend its South Australian trials of its pre-commitment system in all Australian jurisdictions, suggesting that the barriers to implementation are low. The Gaming Technologies Association considered that the costs of a partial system (and dynamic warnings) would entail 'negligible incremental cost' (sub. DR344, p. 9).

However, in such a system, pre-committing gamblers are not bound by the limits they impose on themselves in such a system. In effect, partial pre-commitment would give Ulysses a knife to cut his bonds when the Sirens call. Several researchers have concluded:

... a voluntary scheme will have limited effectiveness as a harm minimisation measure. Problem gamblers will be less likely to use the precommitment options than other gamblers. While there is likely to be initial consumer resistance to a mandatory scheme, other public health policies (e.g. seat belt legislation) have shown that most people quickly adjust their behaviour and accept the new requirements. (McMillen, sub. 223, p. 28)

Overall, there is no evidence to suggest that a voluntary, card-based gambling scheme offers any significant protection to gambling consumers relative to that offered by other responsible gambling measures. (Nisbet 2005b, p. 61)

The responses [among problem gamblers using a partial pre-commitment system] suggest that pre-commitment would have little effect on decreasing gambling expenditures among those who were intent on continued gambling, because they would likely find a means of obtaining additional cards or seek out venues where refills [of cash to cards] or other options were available. (Nower and Blaszczynski 2010).

That said, the evidence from the trials (appendix C) suggests some benefits for harm minimisation, and there is acceptance by some in the industry that it is feasible and without substantial costs (box 10.4).

Box 10.4 Some industry participants favoured partial pre-commitment

Voluntary pre-commitment and dynamic messaging can be implemented on all new machines and incorporated into all routine upgrades from mid-2011 at negligible incremental cost. (Gaming Technologies Association, sub. DR344, p. 9)

Maxgaming suggests it would be prudent to gain community acceptance for pre-commitment with a 'Voluntary to Use' ('VU') model. Future investigations could be undertaken to estimate the additional benefits, if any, of converting to a 'MU' [mandatory to use] scheme versus its costs. The 'VU' system negates any additional burden on occasional players or regular players who do not perceive they have a gambling problem. Maxgaming's experience with its 'Simplay' pre-commitment platform in the Queensland market has demonstrated that a 'VU' pre-commitment scheme is showing encouraging signs as to the level of acceptance from players. (sub. DR302, pp. 3–4)

Some types of partial pre-commitment systems may be better able to encourage people to keep their pre-set limits than others (box 10.5).

10.6 How could full pre-commitment work?

In contrast to partial pre-commitment, full pre-commitment focuses on limiting 'leakage'. The very concept of pre-commitment is that it is a contract that parties cannot breach without significant consequences. This feature gives relief to a party who is concerned about their future capacity for control. For instance, such a system

could allow players to set a limit and when they reached that limit, further play would be prevented, regardless of the machine or venue.

Box 10.5 A partial pre-commitment system that encourages limit setting

While not meeting the requirements for a full pre-commitment system, the capacity to set limits on a single machine might have some value for consumers, as it may prompt them to reflect on whether they are really in control, to change their playing style, or to stop for a break or altogether. However, it would have several apparent deficiencies:

- even if the single machine stops or pauses for a period, it would be easy for the player to move to a nearby machine and continue gambling
- it would take some time for a gambler to select limits on each machine manually. Given that it is customary for gamblers to play on many machines in a venue, this would represent a significant amount of time actually spent engaging in electronic ‘form-filling’, instead of enjoyably playing the games. If setting limits were voluntary, then it would be likely that manual limit setting would discourage people from setting limits at all.

These deficiencies could be partly addressed by having a default low-intensity playing style (and/or limits) that the player would need to override using secondary screens to play at a higher rate. This would encourage lower-intensity gambling, while still allowing, with some nuisance, gamblers to select riskier playing styles.

Choosing a higher rate of play might also lower jackpot prizes (for example, from \$20 000 to \$10 000), with the consumer notified of this. Given the low expected value of many jackpots, such a change would typically make very little difference to the actual rate of return, but may still significantly deter people from overriding the default playing style. There is evidence that small incentives effects — ‘nudges’ — can have valuable benefits in encouraging safe behaviour (Thaler and Sunstein 2008).

The above approach may prevent some recreational gamblers from losing control and spending too much in a given session or in developing significant problems. However, it would probably be ineffectual for problem gamblers, who would choose to override low intensity playing styles, and it would not have the flexibility of a full pre-commitment system.

Full pre-commitment implies a single overarching condition: people should not be able to renege on their pre-committed decisions except on terms that they have already predetermined. This would include a capacity for self-exclusion. There was strong support for a binding pre-commitment system from agencies that focused on the social impacts of gambling (Public Interest Advocacy Centre, sub. 389, p. 4; SA Council of Social Service, (sub. DR327, pp. 14–15; Victorian InterChurch Gambling Taskforce, sub. DR357, pp. 3–4).

Real consequences for those breaching their commitments

The above condition implies that exceeding a pre-imposed limit would have the consequences that the gambler had pre-specified, or at best, limited options to deviate from these. Accordingly, if a gambler says ‘I do not want to spend more than \$100 a week’ then, if that spending level is exceeded, they could be offered three alternatives: not to play anymore; play free games involving no cash; play in ‘safe’ mode (as shown in figure 10.1 and discussed below).¹³ The latter two options would allow some continued entertainment, but without any substantive risks.

In contrast, in the Australian pre-commitment trials (and existing commercial schemes) reaching a pre-committed limit is a trigger for notification, advice and minor inconvenience, but allows the gambler to exceed the limit if they wish. They resemble ‘speed alerts’ on cars that tell drivers when they have reached a speed, but still allow them to go faster. Non-binding pre-commitment may still have some benefits (as discussed above), but it cannot address the problems posed for people with periodic difficulties in controlling their spending.

Player identification, consumer receptiveness and privacy concerns

Why is player identification needed and how could it work?

Full pre-commitment must preclude default. This implies that there would need to be some way of identifying all gaming machine players and their associated playing preferences. Otherwise, a player who had committed to a certain spending limit could exceed this limit by using a machine that ignored these pre-commitments. (A further advantage of mandatory player identification is a reduction in underage gambling, an observation also made by Regis Controls, sub. 82.)

This suggests the need for some kind of commitment technology that:

- identifies the particular gambler playing the machine
- reflects their pre-determined preferences in their interaction with the machine (and which *could* also include preferences about the entertainment features of the game, such as a preferred game type if the machine allows downloadable games or automatically linking with a ‘buddy’ in a multiplayer game if they log on to a machine)
- allows the secure storage of information:

¹³ If ‘safe’ mode was available for non-card holding players, then this option would also always be available for someone who had reached their pre-commitment limit.

-
- to determine whether any pre-determined preference has been breached
 - to provide, if appropriate, a player information statement of accumulated time and money spent in a given period
 - on additional or changed preferences set by the gambler during the period of play
 - about accumulated loyalty points, if the gambler was a member of a loyalty scheme.

So far, trials and existing pre-commitment systems have all been based on cards, but there are alternative systems that could be used. The Commission has deliberately avoided the presumption that the method for achieving pre-commitment would be a card (smart or not). It could also be a universal serial bus key (USB key)¹⁴ or some other electronic device (including an existing mobile phone with Bluetooth or similar). And it might not be a device at all, but instead a capacity for the machine itself to recognise the player through biometric methods (a fingerprint reader for example) or a secure password, and to access and store information on a server.¹⁵ From a technological perspective, all of the above options are workable, though their costs and practicality may differ.

Two practical concerns are often raised about player identification:

- *“Gamblers may subvert pre-commitment by giving or selling their passwords, cards or other identifying device to others.”* The Australian Hotels Association (sub. 175, p. 62) considered that ‘there is a real risk a second hand smart card market will develop where cards are sold to problem gamblers’. Evaluation of the Nova Scotia trial confirmed swapping as an issue, with around 35 per cent of players swapping cards at least sometimes (and in some cases getting them from venue staff). However, most did so rarely (Focal Research 2007, p. 6). This risk could be addressed using biometric technologies, or in a more simple fashion, by only paying out large prizes to a person if their apparent player identity matches other supplementary identification they may have (such as a licence). In Norway, cards only work on machines if a four digit PIN is used and money is paid into the identified player’s account, which would also reduce any incentives

¹⁴ For instance, Responsible Gaming Networks developed a biometric USB key as the device for interacting with gaming machines (sub. 120, p. 1; sub. DR394; trans., pp. 572ff).

¹⁵ For instance, Bally (a major global gaming machine manufacturer) developed a biometric technology that can passively or actively identify players at the game and track all of their activity, with or without a card. The system also allows for anonymous self-exclusion by using the ‘John Doe’ data base and enables exclusion at the point of play. It can be linked to any existing lists of excluded players, enabling instant messages to be sent to security. It also can be used to link unusual betting patterns to Title 31 money-laundering regulations (Green 2009).

to swap cards. In Sweden, as part of a strategy dealing with problem gambling, an age-control system is being installed on video lottery terminals. Gamblers have to enter the first part of their identification number before starting play and will have to show their ID to claim any prizes, as that number will also be printed on the vouchers issued by the machines (McQueen 2008).

- “*The need for a player identity may deter occasional gamblers.*” One option for dealing with occasional gamblers is that venues could issue them with a one-off small denomination cash card (say for \$10) to use on machines, with only minimal identification requirements. Alternatively, or in addition, people without a player identity could gamble on any machine, but the machine would be configured to play in ‘safe mode’ without the player card (or other ID device), with, for example, a configuration of lines, credits and denomination that limited expected losses per hour to \$20 to \$30. (The feasibility of flexibly altering bet limits in this way is some way off with current gaming machines, but could be considered over the longer run.) It should also be noted that the bulk of the gaming income for venues does not come from occasional players.

Is presenting identification inconsistent with an entertainment product?

The need for personal identification of some kind underpins full pre-commitment, but some participants expressed concern about such a need, or the receptiveness of gamblers to it.

... mandatory identification processes or equipment does not align with the objectives of those who attend hospitality venues. Visitors are ... guests of hospitality venues and are ... highly unlikely to accept mandatory identification or limiting requirements of their leisure activities. (Gaming Technologies Association, sub. DR344, p. 9)

However, there are numerous other instances where identification is the prerequisite for purchasing or using a product: borrowing books or DVDs; hiring a car; opening a bank account, getting a private post office box, and buying a mobile phone. In some cases, bars use fingerprint readers to exclude patrons who have misbehaved in the past.¹⁶ And of course, recognising the dangers to themselves and others, people must have licences to drive cars or undertake electrical work.

Requirements for identification are also already widespread in the gambling industry. All online gambling providers have stringent identification requirements,

¹⁶ For example, patrons wishing to enter various Australian licensed venues must allow management to scan their driver’s licence and fingerprint and take a photo of them before being allowed entry. The photograph and select identification information are kept on record using a server-based technology called the NightKey system. In mid 2009, 10 Australian venues used this system (www.nightKey.com.au).

which do not appear to have met with consumer resistance. As membership-based organisations, clubs require personal identification, such as a driver's licence, when enrolling new members and some also take a photograph of the patron. In effect, clubs already require proof of identity as a prerequisite for a customer to enjoy their hospitality. Crown Casino stipulates that gamblers wishing to play in their 'Aussie Millions' (poker championship) event meet stringent identification requirements, including permission to be filmed:

To play in an Aussie Millions event you must be a Crown Signature Club member. This can be done on the spot, in the Poker Room. Photo identification is required; if you are from overseas, it is advisable to have your passport with you ... Sign an Acknowledgement & Player Release Deed. By signing this document, you are acknowledging the Terms & Conditions of the tournament, and giving your consent to be filmed. (information sheet for 2010 event)

More generally, among gambling venues, gamblers already have 'loyalty ID' cards, which they insert into the gaming machine when playing. The cards then record players' transactions, which are then used to award loyalty points that can be exchanged for free meals and other rewards.

Identification requirements are widespread in the commercial (and public) sectors because they serve useful functions. Requirements for personal identification help reduce commercial risks, such as default, fraud and theft. Few in business regard identification requirements that serve their *own* interests as unethical or problematic for privacy. And, on the whole, nor do consumers express any such concerns. Such identification requirements are aligned with consumers' interests because the costs of commercial risks are reflected in prices. However, where a product entails harm to consumers and revenue gains to business — as is the case with some aspects of gaming — business and consumer interests are incompletely aligned. In that special context, it is still ethical and appropriate to require identification if it assists consumers, even though such a requirement would not serve business interests.

Privacy concerns

Concerns about privacy may be a more fundamental issue affecting consumers' receptiveness to a full pre-commitment system. The Australian Hotels Association (sub. 175, pp. 60ff) regarded pre-commitment technologies as 'intrusive', claiming that the 'introduction of an "Australia Card" style personally identified smart card also raises many significant privacy issues.' Others had similar concerns:

Many Australians could also be expected to have privacy concerns ('big brother is watching') about being forced to register their details to enable them to participate in a 'MU' [mandatory to use] pre-commitment system, so they may be allowed to 'have a flutter'. (Tatts Group – Maxgaming, sub. DR302, p. 3)

The inherently secretive and suspicious nature of problem gamblers means that few would be willing to participate in a pre-commitment regime where they have to provide their personal information (sub. DR345, p. 4)

In the Nova Scotia pre-commitment trial, concerns about privacy of the playing data and the personal information necessary to obtain a card seemed to be the main reasons for not getting a card and for people borrowing others cards to play (Omnifacts Bristol Research 2007, p. v). In their research on pre-commitment, McDonnell-Phillips also found that, while most people were receptive to card-based gambling, around one third of gamblers raised privacy concerns.

However, as discussed above, people are often identified in their transactions and, associated with this, there is widespread collection and storage of data on individuals. The staff of video stores, libraries and online shops see past consumption decisions of their customers; medical staff see patient records, and tax accountants, their client's past tax returns.

The Commission envisages strict privacy arrangements for data collected as part of a pre-commitment system. In general, the only data collected should be that necessary for keeping a confidential record of spending (or time) to allow binding limits set by gamblers themselves, and to provide player statements. In effect, gamblers 'own' the data. Unless consent is provided, information identifying individuals should not be available for regulators, venues or other parties. Maxgaming (sub. DR302, p. 9) and Eadington (2003, p. 210) have suggested methods that would ensure the privacy of data (and would address identity fraud).

On investigating the national regulations in relation to privacy, the Commission considers that pre-commitment is unlikely to have issues regarding privacy if gamblers give consent for any use of information and the individual is aware of the relevant processes and bodies (including complaint processes). This view was supported by Regis Controls (sub. 82), which provided a detailed assessment of privacy risks and how these can be addressed.

Systems protecting privacy are one thing; convincing people of their effectiveness may be another. An important aspect of ensuring gamblers' receptiveness to pre-commitment (of any form) will be the assurance about the security of their data and its use. One of the advantages of introducing partial pre-commitment prior to adoption of full pre-commitment is that it would allow gamblers to become familiar with pre-commitment cards (or other devices) and to build confidence about systems that protect their privacy.

Default settings?

The form of presentation to gamblers of the various options under a pre-commitment system is likely to have fundamental impacts on gamblers' choices. There are several possibilities. The default could be one in which players would:

- play as they usually do, but could elect to set time, spending or other limits (sometimes referred to as 'opting in')
- be given a set of simple default options to which they could assent on first playing and that entailed some spending limits. However, they could set their own limits, including no limit on any or all of the available options if they wished. The capacity to make choices different from the default is sometimes called 'opting out'. However, in this context, it can be confusing terminology as people can choose to set many different limits (including none) across a whole set of options. People might 'opt out' of one feature, but set their own limit or stay with the default on another.

In both cases, the consumers have complete control over their choices.

So which alternative is appropriate? The answer depends on:

- whether, in reality, people switch easily between options as they see the advantages of one or the other
- the consequences for people's wellbeing of the two alternatives
- whether people are informed about these consequences.

Do people switch easily?

The evidence from behavioural economics, marketing and psychology suggest that people often adhere to whatever happens to be the default option.¹⁷ They do this for a variety of reasons. One of the key ones is that making different decisions can be costly — there is information to find and absorb, and processes to change the default choice — in short, 'bother'. Surprisingly, a little bit of bother can make a large difference to consumer decisions, sometimes even in critical areas. This is illustrated by the following.

- In countries in which organ donation is the default, organ donation rates are much higher than in countries in which people have to give explicit consent. For example, organ donation consent rates in France are 99.91 per cent (an opt-out

¹⁷ For example, there is evidence from Liebman and Zeckhauser (2008); Kahneman et al. (1991) and Samuelson and Zeckhauser (1988).

system) and 4.25 per cent in Denmark (an opt-in system) (Johnson and Goldstein 2004). This is despite a generally strong willingness to support organ donation.

- A default option for a retirement savings plan results in much more saving than one in which the default is no savings.
- Many more people will not use a ‘do not call’ system to block telemarketing if they have to opt in to such a system than if they have to opt out, even though many find telemarketing annoying.

So, there are large frictions between the default and the alternative — choose one, and you will probably stick with it. Accordingly, under an opt-in system, it is likely that many fewer people would use pre-commitment. Initial figures from the pre-commitment trials in Queensland and South Australia, and of systems voluntarily put in place by some gambling venues, bear this out. While a significant number have opted in to pre-commitment (attesting to the usefulness of even partial systems), the bulk of players have not. A high take-up of safer levels of gambling is only likely when the way of presenting the system encourages limit setting.

Which default would not promote wellbeing?

In a gaming venue, the current default is a set of customary playing choices (the preferred machine, amount of time and money spent, speed of play and so on) that realise consumer preferences, just like any other consumer good. Those default choices are themselves partly conditioned by the strategies used by venues to create and reinforce customary consumer behaviours that are commercially beneficial. As an example, one seminar presenter to Clubs NSW advised that:

If a player has the need to interrupt their play, then the set up of your room must be conducive to getting them back to the EGM. (Clubs NSW BBB Seminar Series, May/June 2008)

This is typical commercial behaviour, with most businesses adapting their environments and products to encourage customary consumer behaviours that benefit both parties. More broadly, habit and inertia serve a valuable economic function for consumers (it saves cognitive and sometimes, real effort) and it provides predictability for suppliers. Because of this — and given the risks of excessively intrusive and paternalistic government — in normal circumstances, governments leave suppliers and consumers to set the terms of their exchanges without interference.

However, as discussed above and throughout this report, when it comes to gambling, customary ways of doing business can cause significant harm for many regular players. Regulatory changes to venue behaviour and gaming machines

attempt to influence the way people gamble (or their consequences) — and the Commission has proposed some options along these lines in other chapters. Nevertheless, these mandate a new and restrictive default — there are no options for consumers *not* to be regulated. The potential advantage of a system encouraging limit setting is that it makes low-risk playing the customary behaviour — habituating safety — but still giving people the freedom to exercise broader, riskier choices if they have strong preferences to do so. A full pre-commitment system with these features would not eliminate the need for all regulations, but might allow some to lapse.

It is also notable that in the Nova Scotia trial of pre-commitment, there was strong support for making it less easy for players to avoid using the system’s features:

Some of the most consistent criticisms of the card-system included the fact that the player could use the card and avoid all of the features if they wanted. There were strong perceptions from players that the features would have been more useful if they could not be avoided as easily. Participants in the focus groups seemed to be disappointed that the system did not force them to make choices as they expected it would. (Omnifacts Bristol Research 2007, p. 59)¹⁸

Do people know the risks?

Ulysses was bound to the mast because he knew about the risks of the sirens. But many gamblers, while aware of risks in the abstract (‘Some people get into trouble’), do not believe that gaming presents risks to them personally, or are over-confident about their capacity to exercise willpower.¹⁹

Moreover, people often do not recognise they have a problem until it has progressed significantly. (‘It’s alright, I can control my gambling’ or ‘I know I lost a lot of money this time, but a big win is around the corner’). Ultimately, many of these problem gamblers would recognise the accumulated harms of their gambling and, at that point, would choose to set limits in a pre-commitment system, but that would be after significant harm had already occurred.

Given inertia, relative risks, over-confidence and poor awareness of the personal risks, a full pre-commitment system is likely to be *substantially* more effective using an arrangement that encourages people to set limits, and that requires them to indicate that they want to set no limit on any given option. It should be emphasised

¹⁸ A survey of researchers, specialists and other key informants (including problem gamblers) from Canada and abroad also found strong support for a pre-commitment system, preferably with mandatory limits (White et al. 2006, p. 5).

¹⁹ More generally, behavioural evidence suggests that while some people want to control their future impulsivity, others are overconfident about their capacity for future control.

that the consumer is still in charge of their choices, in accordance with the Commission's general agreement with the goal of maintaining, not undermining, personal responsibility. This is contrary to the representation of this kind of scheme by some participants:

Each machine would be card-operated, and no card means no play. Bad luck for tourists, or anyone resistant to the idea of registering for a quasi Australia Card. Big Brother has more: once you register, you would be told how much you could gamble. Reach that amount, and the machine would shut down. You would then be unable to play for 24 hours (Costello 2009 – Clubs NSW)

However, this represents a misunderstanding of the arrangements. No overarching authority tells the gambler what they can play. (And, no card or other ID device need not mean no play, as there are safe play options for occasional gamblers.)

Features of the 'default' under full pre-commitment

As discussed earlier, too complex a set of options would tend to confuse consumers, leading to poor decisions or simply discouraging play altogether. While that applies to partial pre-commitment as well, it has particular significance for a full pre-commitment system. If the default option is excessively complicated, people will be more inclined to opt out. The main way of avoiding this risk is to offer a 'vanilla' set of default features that are regarded as 'safe', without stymieing recreational players. The vanilla default would need to meet some minimum conditions. It would have to:

- be assessed on the basis of likely harm
- ensure that the gambler understood the nature of the default and its implications
- involve spending or time limits that are sufficiently high that they would not constrain a gambler's capacity for normal recreational play. (For instance, it would not be appropriate to have a default weekly spending limit of \$20.)
- prescribe only a few features. For instance, on first using a gaming machine, gamblers could face a default of '*Maximum weekly spending of \$150*', which if agreed to, would bind for some default period (that week, a fortnight or whatever achieves effective harm minimisation). A limited number of features would aid simplicity and would reflect the fact that once default spending limits were in place, the rationale for further constraints would be reduced. (In contrast, the model of pre-commitment used by Norsk Tipping in Norway prescribes breaks in play.)

Non-vanilla options could be communicated through layering, noting that gaming machines or kiosks in gaming venues are terminals that offer the same functionality

as personal computers, and are ideal vehicles for layering.²⁰ In the longer run, software could be developed that tailored options to the individual, based on their past selected choices. The implication is that regulatory choices made in the initial stage of a pre-commitment system should permit (and encourage) innovation.

Sometimes people will want to change the pre-commitment limits they have set. By definition, a genuine pre-commitment system cannot allow a person to *relax* a limit once they have set it. However, a person who wants to spend less time or money is reducing their risks of harms — and, as such, it should be easy and quick for them to make these changes. For instance, Crown Casino’s pre-commitment system readily allows players to decrease limits. Changing a spending limit down might involve hitting a single button on a gaming machine labelled ‘reduce limits’ and entering the desired limits (or by incorporating a similar option on a kiosk machine).

Depending on the technology used for pre-commitment, it might be possible for consumers to set their pre-commitment options from a computer outside the venue.

Box 10.6 provides a simple illustration of one possible full pre-commitment system illustrating its possible features.

How would someone set ‘no limits’?

Since a pre-commitment system offers a variety of options for gamblers, a flexible system would allow the gambler to choose their own limits on any one of these options, but include the option of ‘no limit’ as one of their choices. This means that a gambler might decide to set a spending limit, but no time limit for playing. As setting no limits on spending involves genuine risks to a gambler, there should be periodic checking that this remains their preference.

²⁰ As an illustration of the kind of simple interfaces that are possible, see appendix C in relation to the Nova Scotia system. In addition, most cash advance machines in gaming venues in the United States include a feature that greets customers and reminds them to ‘think’ and consider their impending withdrawal. Customers have the opportunity to assess the severity of their gambling behaviour. Should an individual believe that he/she might have a gambling problem, by stating the word ‘think’ the call is automatically transferred to the in-state Helpline and to a counsellor. This program also provides for a self-exclusion option ‘STEP’ (Self Transaction Exclusion Program), permitting customers to block their personal credit card number from the system such that all transactions would be denied (Dickson-Gillespie 2008).

Box 10.6 An illustration of a system

As just one *illustration* of how a pre-commitment system might work, suppose that there was a card-based pre-commitment system based on a network across all machines in a jurisdiction. Each gaming machine would have a card reader and an interactive touch-sensitive screen. Having gone through routine processes for identification, a gambler would obtain a card to play on any machine in any venue, and which could serve as a loyalty card as well.

On first inserting the card into the machine, the player would be given a default expenditure setting — say an amount per week — that they could override if they wished. They could set different weekly (or monthly amounts) or limit their time playing if they wished. They could also select other features, such as a record of their time or money spent over any relevant period, and to activate any periodic reminders they might find useful. Were they to be experiencing any difficulty with their gambling, they could select quickly-accessible options on the touch screen to exclude themselves from playing for a desired period (24 hours, a week, a month or more). Once they had decided to exclude in this way, they would not be able to play on a gaming machine anywhere in that or other venues, until the exclusion period had expired.

In addition, if they exceeded a self-imposed spending limit (say \$150 in a given week) then they would not be able to spend any more until the week was over. They might try to borrow a card, but they would not be able to keep any winnings if they did so.

However, gamblers could at any time, choose to *reduce* their committed spending. Accordingly, someone might set a limit of \$500 for the next month, but after several weeks find that he or she wanted to control their spending further — say, down to \$350. That could be achieved immediately with a few simple actions.

Sometimes people might not want to set a limit on their spending (or indeed some other option). They would simply choose ‘no limit’ on their spending, instead of a particular monetary amount. They would then be free to play without limits on any machine in any venue — but they would still need their card to play. They would periodically be requested — via the gaming machine — to indicate their preference for continuing to play without a spending limit.

If someone did not want to play with a card, they could purchase a small-value pre-paid card that would only allow play at a low intensity level.

It should be emphasised that this is just an illustration of one way of meeting the criteria set down in this chapter. Technologies other than cards might be used, and there could be other ways of structuring pre-commitments.

In addition, it may be appropriate to withdraw inducements that, while safe when people have set a spending limit, are less so when they can spend any amount. In the same vein, enhanced information provision and warnings may be appropriate. As illustrated, setting no spending limits *could* involve:

-
- losing the capacity to earn loyalty points or special offers from the venue operator (the Crown *Play Safe* model included this requirement)
 - periodic alerts concerning money and time spent .

The Commission's process for setting 'no limits' would otherwise be the same as setting any other non-default limit, so that it would not frustrate the practical capacity for people to exercise choice.

The bottom line is that, given their relative hazards, there should be bigger hurdles for raising limits than lowering them. This retains ultimate consumer sovereignty, but requires consumers who wish to select more risky options to make an active decision.

Could others make the commitments?

A more controversial issue is whether there might be circumstances in which other parties could set upper limits for a gambler. Consistent with the current capacity for third-party and staff-initiated exclusions, there are grounds, in exceptional circumstances (and with the same due processes), for family members or designated venue staff to set limits for a gambler with severe problems and no control over their gambling impulses. This may sometimes be preferred to enforced exclusion, especially where lower-level consumption of gambling may cause few harms to the gambler, while allowing them to participate normally in the community (for example, in a small town to still go to the local pub).

Some existing or proposed pre-commitment systems go further than this, including mandatory limits for all players. New Zealand's online lottery (MyLotto) requires a player account and specifies a maximum spending level (appendix C). The Norwegian pre-commitment system has a regulated maximum spend. Surveyed participants in the Nova Scotia trial favoured a regulated maximum, and indeed, one of the proposals to the Commission for a pre-commitment system favoured a legislated maximum, with a consumer capacity to lower this (Regis Controls, sub. 82, p. 17). One prominent Australian researcher has proposed a more far-reaching approach, with limits set according to people's individual capacity to afford gambling (box 10.7).

Box 10.7 Affordable limits?

Dickerson has advocated a model akin to a credit card application, which takes account of the financial capacity of the gambler and that would be set externally (2003c, pp. 7–8). Such an approach would not stop the gambler from setting a lower spending limit, or from pre-setting many other aspects of their gambling as they wished. Dickerson’s approach places a ceiling on potential harm, and has the potential advantage that once that ceiling existed, the need for detailed regulation of gaming machines (beyond probity) could be relaxed. Indeed, Dickerson (2003c, p. 8) suggests that were a pre-commitment system of this kind instituted:

The venues would then need have no notices and warning labels on machines but return to the pre- ‘responsible gambling’ days of being purely escape and fantasy, never a window or a clock in view. The player could go and play and ‘lose control’ within the previously set safety constraints.

However, the decisive obstacle to implementing Dickerson’s model is that it removes people’s ultimate capacity to make choices about how to spend their money. Few regard government as the appropriate arbiter for determining people’s exact spending levels on goods, even those deemed to have undesirable effects — ‘this many cigarettes, that many sweets, this much gambling or alcohol’.

However, any significant degree of limit setting by outside parties undermines pre-commitment because it removes the important element of consumer sovereignty. The Commission considers that a pre-commitment system should ultimately maintain choice for the consumer.

10.7 The details of the scheme and its implementation are critical

There is no such thing as a single pre-commitment system. Pre-commitment could take a variety of forms, many of which would have incomplete or low efficacy, or have other deficiencies, such as complexity or prohibitive costs. As argued by the Tasmanian Gaming Commission (2008, p. 8), there are risks that (some manifestations) of pre-commitment could be a ‘poorly thought through fix’. And Nisbet (2005b) has argued that certain types of card-based gambling have the potential to exacerbate problem gambling.

The results of pre-commitment trials in Australia and the experiences from commercial and overseas systems, such as those in Nova Scotia and Norway will provide some careful insights, but they will not ‘prove’ or ‘disprove’ the value of pre-commitment per se (any more than proving or disproving the efficacy of one drug says much about the efficacy of a substitute).

The detail of any proposed scheme makes a large difference to its effectiveness. This suggests testing systems that have an appropriate set of minimum functions to establish that they work as intended. Chapter 19 addresses the transition issues in detail, but in the Commission's view, a key to the ultimate delivery of effective pre-commitment would involve:

- the development of standards, advanced protocols and appropriate design features (commencing immediately)
- the introduction of partial pre-commitment in jurisdictions where central monitoring systems allow its low cost implementation
- a trial of a full pre-commitment system
- the widespread adoption of a full pre-commitment system, depending on the lessons from that trial and the partial pre-commitment system.

In discussion with regulators, experts and the gaming machine industry, the Commission understands that some existing central monitoring systems — such as the Qcom system in Tasmania, Northern Territory and Queensland — could be used to provide 'full' pre-commitment across nearly all community venues and machines.²¹ The Victorian Government has announced a monitoring system that would have a similar functionality as part of its legislated intention to implement pre-commitment.

Similar functionality in New South Wales, ACT and South Australia, and casinos in several jurisdictions would require investments in new central monitoring systems and in some cases, software and hardware upgrades for gaming machines. The Commission recommends that such investments should be made by 2016, with planning initiated now to achieve that. This suggests that the transition to a full pre-commitment system may take more time in some jurisdictions than others (or would impose a differential cost).

In addition, as noted in chapter 3, the adjustment costs for venues with small numbers of machines may be high. In that instance, there are grounds for these venues to be exempt from the requirement to implement:

- partial pre-commitment altogether. (However, if a government did not introduce full pre-commitment, such an exemption should only be until 2015, two years after its implementation in other venues.)
- full pre-commitment until 2018 (two years after its implementation in other venues).

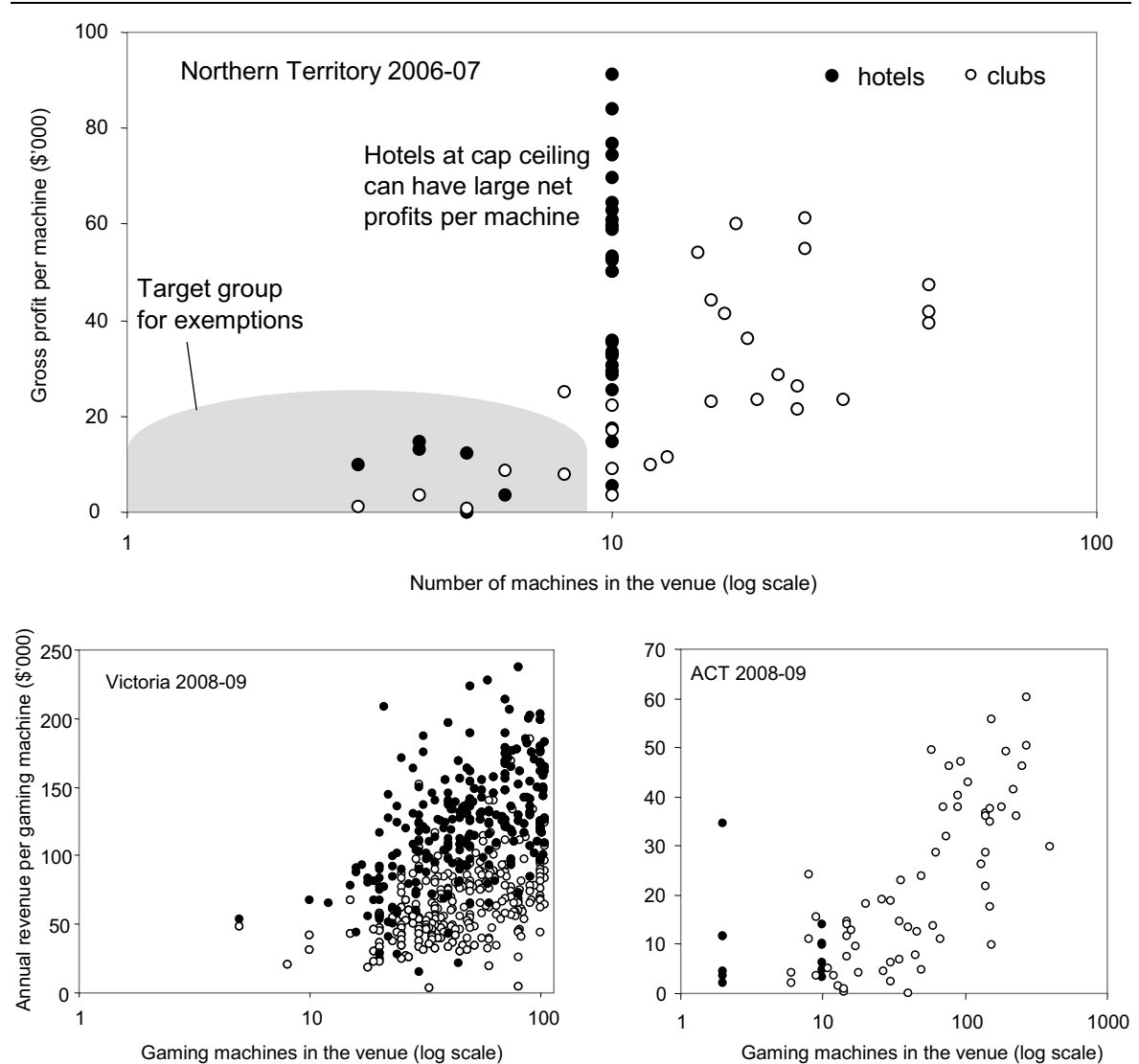
²¹ See, for example, Tatts Group — Maxgaming (sub. DR302, pp. 11–12).

However, as with other venues, new or upgraded machines should incorporate the functionality for pre-commitment and other new machine features (chapter 11).

The Commission proposes this temporary exemption from full pre-commitment for venues with less than ten machines. Available data suggest that the number of exemptions that this limit would entail depends on the regulatory arrangements in each jurisdiction (figure 10.2).

Figure 10.2 Venue size and gaming machine revenue

Victoria, the ACT and the Northern Territory



Data sources: Northern Territory Licensing Commission 2006-07 Annual Report; ACT Gambling and Racing Commission 2009, Community Contributions made by Gaming Machine Licences, 1 July 2008 to 30 June 2009; Victorian venue level data from www.gamblinglicences.vic.gov.au.

Table 10.1 Distribution of EGMs by venue size in Queensland

January 2010

EGM size category	<i>Clubs</i>				<i>Hotels</i>			
	Venues	EGMs	Share of total venues	Share of total EGMs	Venues	EGMs	Share of total venues	Share of total EGMs
	No.	No.	%	%	No.	No.	%	%
1 to 5	35	155	6.3	0.7	68	270	8.9	1.4
6 to 10	136	1 132	24.5	4.8	128	1 067	16.7	5.6
11 to 20	133	2 055	24.0	8.8	143	2 322	18.6	12.3
21 to 30	67	1 739	12.1	7.4	103	2 737	13.4	14.5
31 to 40	36	1 312	6.5	5.6	326	12 490	42.4	66.1
41 to 100	81	5 067	14.6	21.6	..	..	..	..
101 to 200	47	7 204	8.5	30.8	..	..	..	..
Over 200	19	4 762	3.4	20.3	..	..	..	..
Total	554	23 426	100.0	100.0	768	18 886	100	100

Source: Office of Liquor and Gaming Regulation (Queensland) 2010, Gaming Statistics, <http://www.olgr.qld.gov.au>.

There would be little need for exemptions in Victoria, given most venues have many more than ten machines, but a greater requirement in Queensland, Northern Territory and the ACT. About 30 per cent of venues in Queensland have ten or less machines, though they account for only around 6 per cent of total EGMs in that State (table 10.1).

All hotels in the Northern Territory have ten or less machines, reflecting the ‘cap’ that applies in this jurisdiction. Many of the hotels with exactly ten machines have very high revenues per machine — reflecting their utilisation rates. Were the number of machines per venue alone to be used as the basis for an exemption, it could have the unintended impact that some of these venues would relinquish one machine to qualify for the exemption. An additional requirement that average revenues per EGM would have to be low relative to implementation costs would resolve this.

Other aspects of appropriate transitions are discussed in chapter 19 (and the need to periodically review default limits, including potential adjustment for inflation). The bottom line is that a gradual roll out of pre-commitment should take place at low incremental cost because it will not entail widespread machine replacement and modification.

Relevance to gambling more generally

The discussion thus far relates to gaming machines. In theory, pre-commitment could also apply to other forms of gambling, such as casino table games and wagering. (In fact, it is already provided by Australian online providers of wagering and in the New Zealand online lottery.) In casinos, for example, a gambler would present their card or other ID when purchasing gaming chips.

However, the major source of problem gambling and of loss of control generally is gaming machines. That suggests implementation initially for gaming machines and its potential roll out to other appropriate forms of gambling depending on the findings of evaluations.

10.8 Auxiliary functions of a pre-commitment system

Depending on the technology that underpins it, businesses and governments could use the system that delivers pre-commitment for other commercial and regulatory purposes.

An information base?

Regardless of the technologies that governments used to deliver a full pre-commitment system, such a system would also provide other options for harm minimisation at low incremental cost.

It would provide the capacity to use data on player behaviour, allied with observations about other concerning patron behaviour, to:

- better target in-venue interventions for people experiencing problems. This may be appropriate as a research task intended to provide better evidence about what customer characteristics openly observable by venue staff are robust indicators of problems
- assist in the development of electronically displayed warnings for patrons, geared to likely harmful playing styles (chapter 8 and as recommended by the Gaming Technologies Association)
- help policymakers assess whether regulations are working effectively and whether the regulations should be adapted or revoked. For instance, how do gamblers respond to lower bet limits (chapter 11) or quarantined prizes (chapter 13)?

However, personal interventions based on electronic monitoring of consumers' playing behaviour involves serious ethical and privacy concerns (as discussed above), and should follow the existing guidelines for such research (chapter 18).

Cashless gaming?

The cashless use of gaming machines is already possible in some Australian jurisdictions through the use of ticket in, ticket out and in the pre-commitment trials in Queensland. However, these co-exist with cash-based systems. Full pre-commitment could pave the way for a complete shift to cashless gaming, with productivity,²² accountability and security benefits for venues. (The Norwegian system of pre-commitment is based around cashless gaming.)

Cashless gaming has both advantages and disadvantages for consumers. It allows them to end a session of play quickly, with their net balances automatically recorded on their card (or via other means). This would be more convenient for gamblers since, under cash-based systems, they have either to collect coins or wait for an operator to pay larger amounts. In addition, the capacity to withdraw easily any remaining cash balances reduces the temptation by gamblers to continue playing to exhaust those balances. (A good principle for harm minimisation is to reverse the current situation in which gaming technology and venue practices make it very easy to put large amounts of money into the machines, but more cumbersome to remove it.)

On the other hand, cashless gaming may disguise the fact that people are spending 'real' money on machines. Moreover, cashless systems may reinforce anonymous, intense and uninterrupted play. The New Zealand (Government) Gambling Compliance Group (p. 5) argued that cashless systems:

... can preserve player anonymity and permit the rapid transfer of large amounts of money into gaming machines without breaks in play. These sorts of systems can exacerbate problem gambling behaviours by facilitating extended, continuous, repetitive and/or anonymous, emotionally detached play.

They may also increase the speed of play. Nisbet (2005b) cites evidence that cashless systems increased speed of play by 15 per cent. On the other hand, a study by Nower and Blaszczynski (2010) found evidence that a cashless card would not be associated with a tendency to gamble more than when playing with cash. Either way, the Commission's recommendation that governments should introduce cash input limits (chapter 11) could be replicated (in a different form) in a cashless environment to address this concern. Moreover, were full pre-commitment in place,

²² For example, hopper changing is costly.

these concerns may be significantly mitigated, and indeed the capacity for cashless gaming might be a quid pro quo to venues for the introduction of pre-commitment systems.

Server-based gaming?

Server-based gaming is not necessary or sufficient for the implementation of full pre-commitment.²³ The key technological requirement for delivering full pre-commitment is a compatible central monitoring system. However, the networks supporting server-based gaming, and indeed the server (or servers) associated with them, could be used as a vehicle for delivering pre-commitment, while simultaneously presenting some attractive commercial opportunities to the gaming industry. This would include among other things:

- the capacity to change games quickly and to deploy a greater variety of games (giving venues and customers more choice)
- altering machine rates of return or denominations easily
- allowing more experimentation in game types to suit the venue's specific customers
- the potential for greater entry in games design
- more sophisticated analysis of player behaviour to determine future game design.

Ultimately, such innovation would benefit consumers through better entertainment and by lowering prices (noting that it could be expected that lower venue costs would ultimately be passed on to consumers). So long as governments implement a full pre-commitment system, then the Commission considers that there should be no obstacles to such commercial developments.

²³ And there are diverging views about when or if server-based gaming (SBG) would be adopted. There are few places where SBG is currently in use on a fully commercial scale. Norsk Tipping — the government-owned supplier of gaming in Norway — uses an SBG system. MGM's CityCenter casino in Las Vegas will use SBG in that casino (Terdiman 2009). Lima Uno launched a SBG system at a race and sports book in Lima, Peru in 2007. There are a variety of test sites where it is also in use, such as the Ameristar Casino in Missouri. Some participants express doubts about its uptake for some time to come (Australasian Casino Association, sub. 264). On the other hand, Clubs NSW (2009) claimed that 'if things go to plan, it will be available to Australian clubs before too long'.

10.9 In conclusion

The Commission's view is that pre-commitment is a strong, practicable and ultimately cost-effective option for harm minimisation. It overcomes some of the existing severe deficits in achieving self-control for problem gamblers and for genuine informed consent by many other consumers.

While recognising that even a full pre-commitment system cannot be a 'silver bullet', it may ultimately take pressure off other regulations aimed at harm minimisation. If it is sufficiently effective, then some of the more prescriptive regulations could be relaxed or revoked. This is one reason for rigorous evaluation of the approaches recommended by the Commission, and the associated need for developing a capability that brings adequate resources and impartial expertise to such evaluations (chapter 18).

RECOMMENDATION 10.4

Each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines by 2016, subject to initial development (recommendation 19.1), trialling (recommendation 19.2) and compatible monitoring systems (recommendation 10.6). This system should:

- *provide a means by which players could voluntarily set personally-defined pre-commitments and, at a minimum, a spending limit, without subsequently being able to revoke these in the set period*
- *allow players to see their transaction history*
- *encourage gamblers to play within safe spending and time limits, by specifying default limits*
- *include the option for gamblers to set no limit on their spending as one of the system options, but with periodic checking that this remains their preference*
- *allow occasional gamblers to stake small amounts outside the system*
- *include measures to avoid identity fraud*
- *ensure players' privacy*
- *be simple for gamblers to understand and use*
- *present few obstacles to future innovation in the presentation and design of the system*
- *apply to all gaming machines in all venues in a jurisdiction, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.*

The final features of the pre-commitment system should be determined following trials (recommendation 19.2).

RECOMMENDATION 10.5

In advance of implementation of full pre-commitment, state and territory governments should implement a partial pre-commitment system by 2013, where they have compatible gaming machine monitoring systems and associated gaming machines, or other low cost ways of delivering such pre-commitment.

Such a partial pre-commitment system should allow players to set spending limits in all venues within a jurisdiction, and to see their transaction histories, but with:

- enrolment in the system being voluntary, so that there would be no requirement that people have a card or identification device*
- strict protection of players' privacy*
- no requirement for those who are enrolled to set limits*
- only those who are enrolled in the system able to earn loyalty points*
- those who are enrolled able to revoke any limits by playing without a player card or other player identification device*
- machine-based warnings when limits are reached (and a temporary incapacity to cash in, or earn further, loyalty bonuses)*
- an exemption for venues with less than ten machines that also face significant implementation costs relative to revenue.*

The system should be:

- designed to be compatible with the future introduction of full pre-commitment*
- evaluated in real-time and base line data collected to assess its impacts.*

RECOMMENDATION 10.6

By 2016, all jurisdictions should have central monitoring or other systems that can deliver full pre-commitment to all venues and can make remote changes to all gaming machines.