



ATM Industry Reference Group

**Submission from the ATM Industry Reference Group
to the Productivity Commission Inquiry into Gambling**

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1. Executive Summary

On behalf of the ATM Industry Reference Group (AIRG) we thank the Productivity Commission for the opportunity to make this submission to its inquiry into gambling. We also offer to make ourselves available for any future public hearings or interviews that may be sought.

About the AIRG

The AIRG was established in early 2008 in order to provide an industry voice on regulation of ATMs in pubs and clubs. Four parties are involved and together these organisations represent in excess of 95% of all independently operated ATMs in Australia.

The Members are –

- The BANKTECH Group Pty Ltd
- First Data International (Cashcard)
- Customers ATM Pty Ltd
- Pulse International

Members of the AIRG are not involved in the business of gaming. They provide services for bank customers to access their cash in a convenient location through ATMs. To that extent, we will comment on the gaming industry only insofar as any subsequent regulation of that industry would potentially impact ours. We make this submission with the specific intent of providing information around our business.

ATMs are generally positioned in locations where cardholders want to access cash. The majority of bank-owned ATMs are located on the street while independent providers such as those who make up the membership of the AIRG, tend to have theirs located within retail stores or licensed venues such as hotels, pubs and clubs. This only occurs at the request of the store owner or hotel operator. These arrangements are commercial by nature and have mutual benefits to the venue owner (in the form of being able to offer a service to patrons) and the ATM operator.

The independent ATM industry directly and indirectly employs several thousand people, consisting of sales representatives, field service technicians, help desk operators, security guards, communications technicians and transport workers. Any increased regulatory burden on this industry would affect these people and their families.

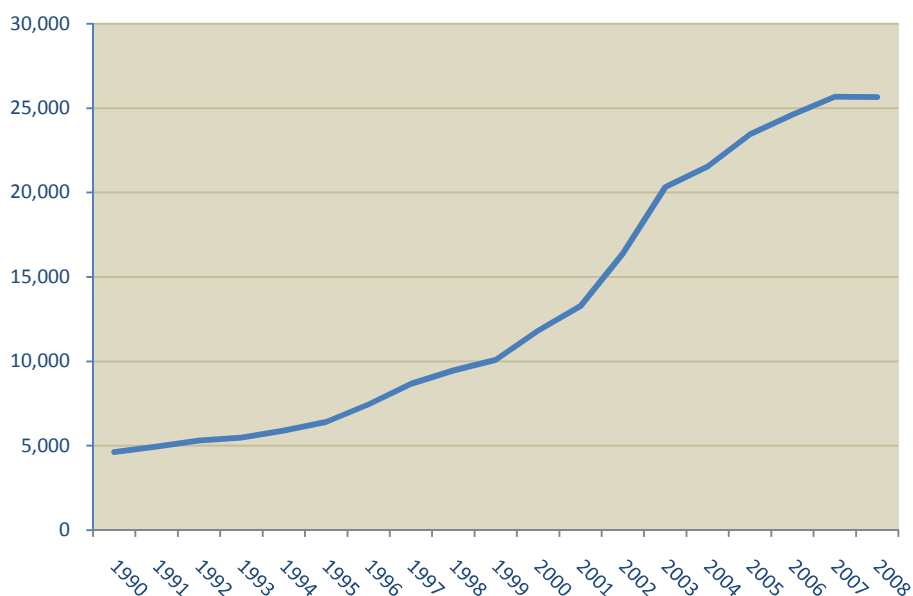
2. Historical background

ATMs in Australia

ATMs have existed in the Australian market since the early 1980s. Their growth was relatively slow at first, not reaching 8,000 in number until 1997.

During this early period, ATMs were exclusively deployed, owned and operated by banks and financial institutions. The rapid growth in ATM deployment that has been witnessed in the past 12 years has been led by the introduction of non-bank, independent companies, most notably the four firms that make up the AIRG.

Latest figures available show that the number of ATMs in Australia reached 25,658¹ in June 2008.



Number of ATMs in Australia (Annual, RBA)

At a speech to the Cards and Payments conference on 24 March 2009, RBA Assistant Governor Philip Lowe discussed the recent reform of the ATM industry which, at its simplest, allows ATM owners to charge consumers directly when they use 'foreign' ATMs – that is, ATMs that are not owned or operated by the card issuer (a detailed explanation follows).

Assistant Governor Lowe said the ATM reforms were about “ensuring that there are incentives that encourage innovation and the widespread availability of ATMs.” He went on to say that “almost one in two ATMs in Australia is owned by companies that are not financial institutions, the end result [of not allowing direct charging] would have been a reduction in the number of ATMs in Australia, ultimately reducing choice and convenience for consumers.”

He continued: “Now that ATM owners can determine their own prices within the context of a competitive marketplace they have an increased incentive to innovate and to grow their networks. Over time, this will deliver both more choice and more convenience to consumers.”

It is clear that the RBA is looking for further growth of ATMs numbers, not consolidation. Assistant Governor Lowe makes a very important point about the role ATMs play in a largely regional market like Australia. They bring convenience, comfort and security for users.

¹ Reserve Bank of Australia, Access points to the Australian Banking system (Chart C07), June 2008

In short, actions, such as removing or reducing the number of ATMs in licensed venues will result in the removal of choice and convenience for cardholders. As is clear from the RBA's statements on this issue, this is absolutely not in the community's best interest because not only would it reduce consumer choice but it will fail to resolve the issue at hand – reducing problem gambling.

A snapshot of the way ATMs work

ATMs are an essential component of the network of access points that financial institutions and independent operators provide to bank customers in order to access cash in accounts. The structure of the network is often described as being “a four-party system” because up to four parties are involved in a single transaction. They are:

- The cardholder;
- The ‘issuer’ of the cardholder’s card (always a financial institution);
- The ‘acquirer’ of the ATM owner/operator; and
- The ATM owner/operator.

On most occasions in Australia, the ATM owner/operator also functions as the ATM acquirer. This is the case for all bank-owned ATMs. Similarly, the card-issuer is more often than not the ATM owner and acquirer. Cardholders have an incentive for using their own bank’s ATM due to the reduced charges that result.

Where the cardholder uses an ATM not operated by their issuing bank, this transaction is referred to as a “foreign transaction.”

When the ATM owner/operator, the acquirer and issuer are different entities technological and contractual links exist in the form of bilateral agreements between parties on clearance and settlements, technology platforms, and costs. The fees charged to consumers as a result of these arrangements are now transparent as a result of the direct charge reforms introduced by the RBA in early March 2009.

At its simplest, card issuers pay a fee to ATM operators, who, in turn, pay a fee to acquirers for foreign ATM transactions.

It is important to recognise that the four organisations involved in the AIRG are not issuers, and only one (Cashcard) acquires their own ATM transactions. So all transactions through the network of independently owned ATMs are defined as foreign.

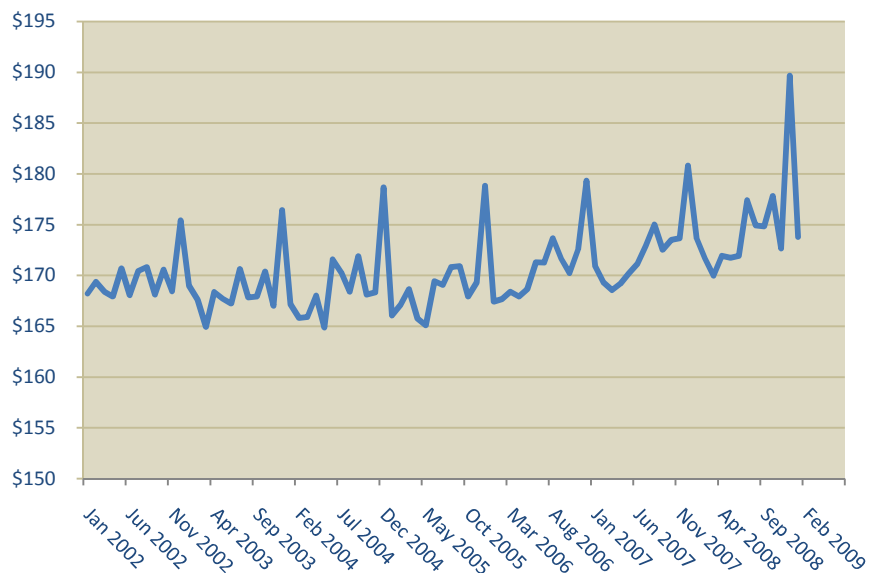
An understanding of this network and the various interplays is essential in order to understand the complexities which arise as we delve further into our submission, particularly in relation to the important role played by issuers.

Average value of cash withdrawals

The data below represents information from 4,935 ATMs operated by AIRG members in hospitality venues (which excluded sites designated as casinos) as at March 2008. The figures are based on the combined averages from each of the four members of the ATM Industry Reference Group, and divided by four.

- NSW \$110.14
- QLD \$100.54
- SA \$98.66
- VIC \$98.21
- WA \$98.19

It is also of value to compare the average ATM withdrawal amounts across all ATMs in all venues. When we remove credit cards from the numbers (which, as will be discussed later in this document are prohibited from ATMs located in pubs and clubs), the average transaction value is currently just short of \$174². In March 2008, that number was just short of \$170.



Average debit card ATM withdrawals (Monthly RBA)

What this demonstrates is that ATMs in hotels have substantially lower average transaction value than street-side ATMs. Removing ATMs from these venues – as has been suggested by some – would directly increase availability of cash to problem gamblers via unrestricted access to funds and account types (e.g. cash out on credit cards).

ATMs in licensed premises

ATMs have been increasingly commonplace in licensed venues for more than a decade, driven almost exclusively by the increasing prevalence of independent ATM deployers. In fact, more than 99 per cent of ATMs in pubs and clubs are operated by non-bank operators.

Nearly 100 million transactions (just less than of 15% of all ATM transactions³) are performed annually through ATMs at pubs and clubs. A number of reasons exist for this, but convenience is the key. As we stated earlier, ATMs tend to be located in pubs and clubs for the same reason as they are found in convenience stores. That is, because these businesses remain largely driven by cash trade. In hotels cash is the most common transaction type for the purchase of food and beverages.

They also offer safe and secure environments for the handling of cash, particularly after dark. They provide cardholders with a level of privacy, are well lit, have CCTV coverage and often security staff close by.

ATMs also provide a valuable community service. This is particularly true in country and regional Australia where, in many smaller towns and suburbs, ATMs operated by members of the AIRG make up well in excess of 25 per cent of ATMs. These are communities that are not well served by the banks.

² Reserve Bank of Australia, Debit Card Statistics (Chart C04), June 2008

³ Reserve Bank of Australia, Debit Card Statistics (Chart C04), June 2008

3. Snapshots of the current legislative and regulatory environment

Gaming regulation is a state issue. While the Ministerial Council for Gaming has attempted to look at creating an environment for uniform laws, there remains a confusing mix of rules and regulations across the country. It is of value to capture where each of the states are in terms of the regulation of ATMs in gaming venues.

Queensland – No specific limits on per withdrawal value, other than those imposed by schemes and issuing banks. This is also the case for daily value limits. ATMs must be placed outside the gaming room and the position of each specific ATM must be approved by the Queensland Office of Gaming and Racing (QOGR).

New South Wales – No specific limits on per withdrawal value, other than those imposed by schemes and issuing banks. This is also the case for daily value limits. ATMs must be placed outside the gaming room.

Victoria – Victoria currently limits transactions to \$200 per withdrawal with an additional limit as at January 2010 of \$400 per card in any 24 hour period. ATMs must be placed outside the gaming room. There are plans in place to completely remove ATMs from venues with gaming licenses. We will discuss this in detail later in our submission.

Tasmania – No ATMs are allowed in gaming venues.

Western Australia – No specific limits on per withdrawal value, other than those imposed by schemes and issuing banks. This is also the case for daily limits. Outside Perth's Burswood Casino, Electronic Gaming Machines are not permitted.

South Australia – Cardholders can access only \$200 in any one transaction and there exists un-proclaimed legislation to ensure only \$200 per card may be withdrawn on any single day. ATMs must be placed outside the gaming room.

It is a complex mix of policy, regulation and legislation. But there is one area where all states agree. That is in ensuring credit cards cannot be used to withdraw cash from ATMs located in pubs or clubs. The most recent state to specifically legislate on this issue was NSW which did so in January 2009, although prior to the passage of the bill the ATM industry and its clients had for some time, prohibited the use of credit cards in ATMs located in pubs and clubs.

An agreement between the states to make the regulation of ATMs in licensed venues uniform would be of considerable administrative benefit to our industry. The ability to use the same restrictions across the country would also assist cardholders who, when they cross state boundaries, are often confused by differing laws.

4. Capturing the issues

Is there a link between ATMs and gambling?

There exists today precisely no evidence that ATMs in pubs and clubs contribute additional incentive for problem gamblers to spend greater amounts than they would have without the ATM.

Only a detailed, exhaustive qualitative research programme could hope to determine if any direct link existed, and even if it did, the removal of ATMs from gaming venues would have far greater negative than positive consequences on the community.

Convenience

At its simplest, ATMs are located where consumers want to use them. Indeed, about 25 per cent of Australia's 25,658 ATMs are located in licensed venues and they provide a convenient, safe and secure service to millions of patrons from all parts of the community, every week. Greater regulation of this sector of the ATM market will deprive consumers of choice, create more problems in pubs and on the streets, causing crime and harm to the community.

As we've already noted, hotels and clubs rely on cash as the most efficient transactional form. The typical venue offers a range of bars, bistros, TAB, packaged liquor & gaming, and patrons often withdraw funds from an ATM to spend across many areas – certainly not exclusively to gamble.

As for the ATM industry itself, the increasing regulatory burden is having a negative effect on the small independent companies, their employees and suppliers. Decisions such as the one made in Victoria to remove ATMs from gaming venues in mid 2012 will clearly make it increasingly difficult for these independent operators to survive.

Security Risks

Estimates from the AIRG would suggest that in 2007 alone, approximately \$9 billion in cash was withdrawn from ATMs in licensed venues across Australia.

The Victorian government has taken a decision that from mid 2012 ATMs will be removed from licensed premises in that state. This decision will see these cash withdrawals move to street-front ATMs, putting patrons and publicans at a much greater risk of theft and fraud. We know from research that consumers prefer to use ATMs at pubs and clubs over those on the streets precisely because they are safer. People feel more secure withdrawing cash in the safety of a pub or club – where security is provided and people feel protected. In most cases, there will be various safety provisions in place to ensure patrons are protected. These can include CCTV monitoring and recording, security staff, appropriate lighting and placement in a visible position within the venue.

Fraudulent activity in the form of skimming (where fraudsters place a small device over a card slot to copy the mag-stripe data located on the back of the card) is increasing in Australia. ATMs on the street are much more susceptible to this sort of crime. Those ATMs within pubs and clubs are more regularly monitored and are positioned in such a way that there is a constant presence of staff and customers, making it almost impossible to set up the required equipment for skimming.

In a recent, well publicised fraud the ANZ was robbed of up to \$1 million in a skimming attack, which may force banks to look at removing their own ATMs from unattended locations, thereby further reducing customer choice.

Complexity of the market

ATMs operate in a very competitive market place. Cardholders have a range of payment options. Those who prefer cash will seek it out. Removing the ATMs from one section of the industry will simply move cardholders out onto the street and toward an ATM operated by a major bank. We see considerable competition issues with this potential regulation.

EFTPOS

There is an added complexity when you include EFTPOS terminals into the mix. Whilst we do not believe there to be any relationship between cash withdrawals and gaming, this is clearly a competitive issue for the ATM providers. In our view, removing ATMs (or limiting cash withdrawals) does our business severe damage pushing hotel customers either out to bank-owned, street front ATMs, or to the bar to make a cash withdrawal using EFTPOS.

EFTPOS is a less sophisticated means of cash access than ATMs. Transaction control is completely reliant on the operator of the terminal, which, when coupled with daily limits of up to \$2,000 combines to create a dangerous risk to problem gamblers. There are no systemic fall backs in place to provide for any daily, or transaction limits. So, to that point, allowing cash out on EFTPOS would create an easily accessible loophole to access cash for problem gamblers if this is combined with volume, or value limits at ATMs in licensed venues..

5. Harm Minimisation

Self Exclusion

All states have harm minimisation strategies in place that allows a problem gambler to request assistance to be excluded from a gaming venue or venues. Here is the link to AHA NSW for information on their process -

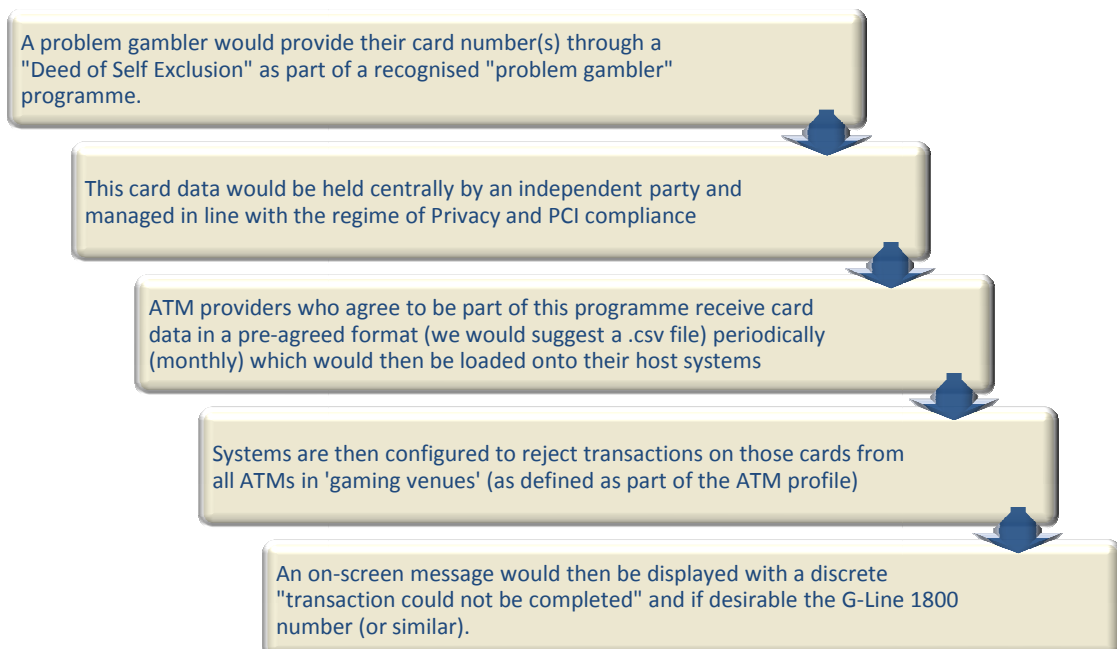
<http://www.ahansw.com.au/default.asp?sid=225&pids=%2C>

Self Exclusion can be initiated in a number of ways including at a venue level (gaming staff, licensee), contacting an industry body (ie AHA, Clubs Association) or via a National Programme. While varying from state to state most strategies involve the problem gambler voluntarily completing a "Deed of Exclusion" that, among other things, provides information (including photographs, addresses etc) that will allow the specified venue (or venues) to identify that person and, where necessary, remove them from the venue.

As part of entering this voluntary Deed of Exclusion, the person seeking exclusion could also volunteer details of their ATM card(s) and the venues where they did not want ATM access. This card and venue data could then be provided to the ATM provider (via an Industry/Government body) and the card could then be blocked from use at the venue's ATMs or all gaming venue ATMs. While we have suggested an Industry/Government body we believe the national body recently established by the Ministerial Council would be an ideal central data collection point.

If the ATM providers are satisfied the Deed of Exclusion process is robust, we do not require any information other than the card number and the venue(s). We would also expect some mechanism that would refresh the Inactive Card Data periodically. Timeframes for each activity (including contacting the ATM provider, establishing the card number on the system etc) would need to be agreed but otherwise we do not see any significant impediments.

The process would look something like this –



We would be happy to provide any additional information required by the Commission to outline further how the process might work.

AHA NSW Pilot

Members of the AIRG have been working with the NSW branch of the AHA to develop a pilot and explore how the system listed above would work – specifically in relation to the process of self identification and how the subsequent exclusion would work from an administrative and technical perspective.

There are still issues to be resolved. These include:

- How will the message that the transaction has been declined be delivered to the cardholder? It is recommended that the declined message states “invalid transaction”;
- What reporting is required for issuers on declined transactions;
- Where will the database and cardholder information be stored; and
- Who will hold the cardholder requests and where.

These are largely administrative issues and we see no problem in resolving them quickly.

We expect to have a full pilot in place by July 2009 and would welcome any future visits by the Productivity Commission to review the pilot programme’s progress.

Removing ATMs from licensed venues

Although, not yet presented to parliament in the form of a bill, the decision of the Victorian Government to remove ATMs from pubs and clubs with gaming machines makes no sense.

Minister Tony Robinson’s apparent view that ATMs are the key reason people gamble at problem levels is a simplistic and misguided view that distorts the fact that ATMs are merely a conduit for consumers to access cash.

Removing ATMs as a response to problem gambling is akin to an anti-smoking campaign based on the ban of matches or lighters. It simply does not address the root cause of the problem.

Apart from removing approximately 25 per cent of all ATMs in that state, implementation of this policy will disadvantage the vast majority of ATM users who are not problem gamblers – those who simply want safe and convenient access to their funds.

The safety issues should not be downplayed – as we have already noted many cardholders have a preference for using ATMs in hotels and clubs because they are a safe environment to handle cash. ATMs provide cardholders with privacy, are well lit, have CCTV coverage and have security staff to keep a watchful eye. Removing ATMs from pubs and clubs will not remove the need for cash, it will merely push tens of millions of cardholders onto the streets to find an alternate ATM.

Banning ATMs is, at its simplest, band-aid politics. In doing so there is a tacit implication that our small independent industry is the cause of problem gaming – an inference that we reject completely and absolutely. In fact, rather than being a cause of problem gambling, the ATM Industry Reference Group believes we can play a vital role in being part of the solution.

We have proactively offered support for per-transaction and/or per day financial limits per card (dependent of course on the amount being set at a sensible level), and we have the technology available to help problem gamblers who identify themselves to voluntarily decide to be excluded from a venue’s ATM.

We have already implemented and are widely supportive of state-based harm minimisation regulations including:

- ensuring that no cash withdrawals can be accessed from credit cards in a pub or club with gaming machines;
- facilitating maximum amounts per transaction in various states;
- placement of ATMs away from gaming machines; and
- “Splash screen” messages on the ATM about the risks of gambling.

We believe the technology-based solutions we offer provide a more positive and targeted approach to dealing with the issue of problem gambling, without disadvantaging the vast majority of cardholders who use ATMs in pubs and clubs for convenience and safety.

Coupled with the research by the AHA NSW identifying a clear preference by problem gamblers toward self-exclusion, we would strongly argue that the Victorian view is misguided.

Removing ATMs will not cure problem gambling and while it may make a good headline, it is an overly simplistic response to a very complex issue. We encourage the Productivity Commission to better understand the key issues in order to help government and the Ministerial Council on Gambling to develop sensible, evidence-based measures that will not disadvantage the vast majority of the community.

Reducing access to cash will unintentionally catch many parts of a pub or club business that have nothing to do with gaming or problem gamblers. The only result will be a significant downturn in business and a substantial loss of jobs. As you are probably aware the hospitality industry employs more than 360,000 people Australia-wide.

The Victorian Government's option of removing ATMs from pubs and clubs will not stop the need for cash it will merely push cardholders (young and old, male and female) onto the streets to find another ATM. And we know that street-front ATMs are less safe than those inside pubs and clubs. In 2004 the same Victorian Government which has now announced the removal of ATMs from pubs and clubs previously had a different view. The then Police Minister, Andre Haermeyer said:

"ATMs certainly have provided the community with a greater deal of convenience and with access to 24-hour cash, but they have also enabled the banks to push the risk that goes with robbery outside their door. I think the banks have some responsibility to their customer's safety."

And we agree.

Volume, Value, Daily and Venue withdrawal limits

The Victorian Government has also legislated that, commencing in 2010, ATMs must be removed from gaming venues unless they are able to limit a cardholder to a maximum withdrawal limit of \$400 within a 24 hour period. As we have noted, AURG members have been working toward compliance of this legislation within the required timeframe.

One of the AIRG members, Cashcard/First Data, has now received approaches from other smaller third party ATM providers to ensure that it will be able to meet the \$400 legislation in Victoria and also that it will be able to develop the proposal to block specific cards at ATMs located in gaming venues, as outlined earlier in this submission.

Only transactions where the cardholder has entered into a voluntarily "Deed of Exclusion" with a recognised body such as the AHA or Registered Clubs association would be blocked (see AHA NSW section above).

We are not, nor have we ever been, opposed in principle to financial limits. However we consider some of the limits discussed (specifically, any daily limit below \$400) as unreasonably low. RBA stats indicate the average withdrawal amount per ATM is \$174, and our own group's data shows the amount in a pub or club is closer to \$110 per withdrawal.

We assume the topic of limits was researched by the Victorian Government as part of its decision to implement a maximum of \$400 within any 24 hour period, and we would consider this to be a reasonable amount. The limit needs to be sufficient to allow patrons (often couples operating a joint account) to have an enjoyable time at a venue without being forced to leave that venue to access additional funds.

As indicated, the members of our group now have technology available which will enable us to develop a solution to meet the above requirements that have been imposed by the Victorian Government.

One point worth raising is the likelihood that cardholders have multiple cards. This is not uncommon amongst problem gamblers, however since most of them have credit cards we believe maintaining the status quo of limiting withdrawals to debit cards would continue to have the effect of contributing to harm minimisation.

6. Working together

The ATM industry has been widely supportive of many of the measures to limit the harm caused by problem gambling including:

- no cash withdrawals from credit cards;
- maximum amounts per transaction in various states;
- placement of ATMs away from gaming machines; and
- messages on the ATM about the risks of gaming.

The ATM Industry Reference Group believes our industry knowledge and technology can be of assistance in seeking to further reduce problem gambling. We are not part of the problem. Indeed, as noted above, with the technology now available the ATM industry can play an essential role in providing Government with a more holistic and effective approach to assist problem gamblers.

Seeking to either remove ATMs or reduce withdrawal limits to unreasonably low levels would be doing precisely what the Victorian Government has previously accused the banks of doing – increasing the risk crime and washing its hands of any responsibility.

We look forward to working closely with government and the community groups to find ways to tackle problem gambling in Australia. We believe we can be a key part of the solution.