

1. Additional Points related to our Presentation

There are a number of points related to our evidence at the recent Brisbane public hearings which we would like to further elaborate upon.

1.1 Server based solutions:

The reality is that server based gaming is currently in its infancy and may never be able to offer a solution for player pre-commitment. This is because each gaming machine manufacture appears to be developing their own proprietary server based solutions to communicate with their own specific brand of gaming machine. This will mean that no single server system will be able to communication with all the gaming machines from multiple manufacturers unless all manufacturers move to an open standard, which is currently less than certain. However, we already know from 20 years of past experience that player tracking technology using Player Interface Modules (PIMs) is a proven methodology that will already communicate with all gaming machines from all global manufacturers as a means of tracking individual players and their individual bets.

Even if server based gaming ultimately becomes an open standard, it will still be necessary for players to utilise some form of access device (card, USB key etc) in order to link their play to themselves.

1.2 Consumer Education:

Consumer education will need to occur upfront in any roll out of pre-commitment (with some ongoing education of new consumers over time). For example, if Victoria's annual cost for pre-commitment is \$45 million, then over a 10 year period a 1% allocation to education would represent a \$4.5 million investment – most of which would be an upfront allocation for consumer education.

1.3 Prize Identification Mechanisms:

Pre-commitment is a policy response to allow players to limit their potential losses. Losing players by definition lose more than they win. We know from earlier Productivity Commission work that 10 years ago problem gamblers on poker machines were by the Commission's own definition losing \$12,000 per annum. In today's currency this is now probably twice that figure i.e. \$24,000 per annum. Enforcing identification for winning prizes over certain amounts provides no guaranteed enforceable regime for allowing players to better manage their ongoing losses.

Human ingenuity will always find a way around a flawed system and problem gamblers will find a creative way around identification requirements for high value winnings. Occasionally catching out exceptions only creates an imperfect solution to the real problem.

We would argue that seeking to identify players only when they win large amounts in an attempt to detect card sharing behaviours will not result in an effective mechanism to manage card sharing amongst up to 37% of all players (as detected in Nova Scotia).

In defining a solution the Commission needs to not just focus on the costs of the final solution, but also the current costs to society of allowing problem gambling to continue unabated for another decade.

Small value denomination gamblers, with a high frequency of gambling, may never reach large payout wins but nevertheless can become addicted problem gamblers losing their weekly housekeeping monies and fortnightly pension cheques. This is currently happening every day in hotels and clubs across Australia.

An effective and automated solution will allow players to pre-set and monitor their own losses and also provide totally effective self-exclusion without the need and associated costs for any venue intervention.

The Commission should plan for a comprehensive solution rather than an imperfect solution which will only create additional administrative burdens and doesn't solve the original problem.

1.4 Costs of Pre-Commitment:

The current estimates for pre-commitment in Victoria as assessed by the Commission are in our opinion reflective of the situation if progressed through a complete hardware and software re-engineering of all current poker machines. This is confirmed by the GTA in their final submission to the Commission where they indicate a total cost of \$650 million being required to re-engineer 150,000 of the 200,000 machines across the whole of Australia (the remaining 50,000 machines will automatically be replaced at the end of their current old life and should not be a cost borne by any pre-commitment policy decision). This equates to \$4,333 per machine – which in fact is slightly less than the Commission's current estimate of \$5,000 per machine in its Victorian analysis.

However, as indicated in our evidence at the Brisbane hearing, the use of currently available player tracking interface modules (or PIMs) will significantly reduce the above costs since the use of PIMs will not require any changes to the hardware or software of the current gaming machine stock; PIMs have a much lower initial capital cost per machine; and PIMs also have a longer lifespan than a gaming machine (and therefore lower annual depreciation costs).

As we also demonstrated at the public hearing, re-engineering of gaming machine is not the normal global procedure for player tracking, and indeed the use of PIMs is both faster and cheaper to implement. Ongoing costs of the PIMs are also much less due to their more efficient mechanisms for tailoring a pre-commitment solution across multiple brands of gaming machines and across multiple venues and jurisdictions.

1.5 Terminology:

In order to be more precise we would encourage the Commission to refer to the use of cards or 'USB keys' in their Final Report, rather than just 'USB' which is itself a communications protocol and not a physical product form. In addition the use of the term 'USB devices' is also

quite generic whilst the only marketed pre-commitment USB solution in the world is in fact a 'USB key'. Such references currently occur on pages 7.19, 7.21 and 7.40.

2. Provision of Promised Data

2.1 Internet Site Usage by Australians:

During our presentation in Brisbane we offered to provide figures on the current usage of internet sites by Australians. Up-to-date rankings of the Top 100 sites in Australia used by Australians can be found at: <http://www.alexacom/topsites/countries/AU>.

In an analysis we undertook on December 18th 2009, Party Poker (currently ranked 50th in Australia's Top 100 sites) is being accessed more by Australians and therefore ranked higher than other sites which one would have intuitively regarded as being more frequented by Australians - such as for example PayPal (55), St George Bank (56), Youporn (57), Adobe (59), White Pages Online (62), Queensland Government (66), Qantas (71), Yellow Pages (78), Australia Post (86), Trading Post (91) or RSVP (98).

You will also note from the supplementary analysis section of the Alexa website that Party Poker is over-represented by the 18 – 34 demographic, males, and people browsing at home rather than at work: <http://www.alexacom/siteinfo/partypoker.com>

In order to put the popularity of internet poker in context it is interesting to note that an alternative internet gambling site such as PokerStars currently claims to have 15 million players worldwide with over 100,000 tournaments running every day. PokerStars recently broke its own official Guinness World Record on Sunday September 6th 2009 when 307,016 players at 42,814 tables took part in an online tournament simultaneously.

2.2 Australian Consumer Acceptance of Biometrics:

In relation to consumer acceptance of biometrics we refer the Commission to the on-going global [Unisys Security Index](#) monitor. This monitor is based upon native-language telephone surveys of 8,300 persons aged 18 and up, across 9 countries every six months. Newspoll conduct the field research in Australia and New Zealand. The Lieberman Research Group conducts the research in Belgium, Brazil, Germany, the Netherlands, Spain, the United Kingdom and the United States.

The most recent October 2009 results for this consumer monitor indicate that:

“Almost 7 out of 10 or 66 percent of Australians say that they are willing to use biometrics, with many choosing innovative technology such as fingerprint and iris scans. Of those people:

- 92% support fingerprint scans
- 86% support iris scans
- 77% support photographs
- 69% support vein pattern (vascular) scans
- 66% support voice pattern recordings”

Further details on the Australian results for October 2009 are available from:

http://www.unisys.com.au/about_unisys/news_a_events/20091021_2.htm

2.3 Market Acceptance of USB:

Consumer acceptance and demand for USB is indicated by the ubiquitous supply of multiple USB connection points on all laptop and desktop computers purchased by Australians. There are currently 2 billion USB devices sold globally every year.

The significant advantage of our USB technology solution is that it can be used in both venue and internet gambling. This is because every computer comes pre-built with a USB outlet, whereas no computer today comes with either a plastic card reader or a smart card reader.

Whilst USB was originally designed for computers it has now become commonplace on a whole range of other devices such as mobile phones and video game consoles.

2.4 NAGS Paper Adelaide 2008:

The National Association of Gambling Studies paper which was presented at their annual Adelaide Conference in 2008 and to which we referred during our presentation was titled “*Provision of responsible gambling features within online gambling sites*” by Shaaron Kapcelovich from Southern Cross University. This paper exposes the poor responsible gaming standards of all global internet gaming sites currently accessible by Australians. Whilst this paper is not available from the NAGS website we have provided the Commission with Shaaron’s contact details under separate cover.

2.5 Electronic Copies of Presentation Handouts:

During our presentation in Brisbane we offered to forward a digital copy of our hardcopy handouts to Commissioners. These have subsequently been forwarded to the Commission under separate email cover and include:

- The US Washington Post/60 Minutes investigation into the rigging of games by internet gambling sites
- The sale of Australian gambler names and details over the internet by employees of offshore internet gambling providers
- The recent case of a 14 year old Victorian boy using his father’s identify to gamble online and lose \$4,000

2.6 Additional Electronic Data:

A 2005 global report by Nielsen Research titled “*The Online Gaming Market: What’s Really Happening?*” is quite informative in its analysis of Australian internet gamblers compared to other countries at that time. Since there appears to be no current linkage to this report on the internet, we have also provided this to the Commission under separate cover.

3. Some Comments from the Public Hearings:

We would like to make the following points from our observations of the recent public hearings:

3.1 Clubs Qld:

Clubs Qld stated in their evidence that a 20% reduction in gaming revenues would result in an 8% reduction in their EBITDA and risk their financial viability. However, clubs without poker machines already survive quite well across Australia (in Victoria 3 out of 4 clubs, and 3 out of 4 hotels don’t have poker machines and still remain financially viable). Indeed in Western Australia all of the community clubs survive quite well without poker machine revenues. In our view many clubs and hotels simply prefer the easy revenues delivered by poker machines.

3.2 Tatts Group:

The Tatts Group submission claims “Maxgaming is not aware of any research findings into the level of public support for a ‘Mandatory to Use’ (‘MU’) pre-commitment system”.

In our earlier submission to the Commission we referred to independent Australian Ministerial Council on Gambling research in 2006 which confirmed that 77% of poker machine players in Australia would support compulsory pre-commitment.

It must also be remembered that nearly all non-players of poker machines (i.e. 67% of adults) are seeking greater Government controls on poker machines in order to reduce problem gambling. Thus if 77% of the remaining 33% of adults (who are all poker machine players) support compulsory pre-commitment, then politically an aggregate 93% of all adults (i.e. 67% + 26%) will support such a strengthening of public policy by any Australian Government to reduce problem gambling.

The Tatts Group proposal of a ‘voluntary-to-use’ model provides an escape for problem gamblers when they reach their limits by subsequently chasing their losses. This is too high a price for society to pay.

When asked to provide a comment at the public hearings on internet gambling the Tatts representatives stated that “Once you look at gambling inside your home, you can be anybody you want to be, and the effectiveness of having any sort of pre-commitment mechanism could be easily circumvented where there is nobody checking that you are who you say you are. With Internet Gambling you don’t know the identity of the person gambling”. Our response to those comments is that our technology solves that problem.

3.3 Betchoice Corporation:

Betchoice Corporation was incorrect in its advice to the Commission that internet wagering did not occur in the USA. Internet wagering is currently legal in a number of states within the USA. Indeed the Australian company eBet Ltd. currently supplies internet wagering software to Penn National Gaming Inc which is a licensed wagering operator located in Pennsylvania.

4. Recent Relevant Developments

4.1 ISP Blocking:

The Australian Government’s recent announcement on ISP blocking of future ‘Restricted Classification’ sites will assist with better management of overseas gambling sites which fail to meet Australian regulatory standards for the gambling industry.

Accordingly we believe the Productivity Commission should recommend in its Final Report that *“the Australian Government seek to use the Restricted Classification to capture overseas gambling sites which fail to meet appropriate regulatory standards, and for this to be used in conjunction with a centrally managed portal of Australian- approved gambling sites to provide integrated pre-commitment and self-exclusion capabilities in order to manage the risks of problem gambling over the internet”*.

4.2 Card Skimming & Criminal Involvement in Gambling:

The ongoing susceptibility of plastic card identities being manipulated by criminal elements has again been highlighted in media reports across Australia in recent weeks – e.g. *“Two men are being sent from Sydney to Perth to face charges in connection to stealing up to \$5 million from*

about 4,000 customers at fast food outlets in what police say is Australia's biggest-ever single card skimming operation”.

There is no doubt that criminal elements will attempt to infiltrate the gambling industry to reproduce multiple plastic card identities for problem gamblers and others wishing to wash funds through poker machines.

Recent media reports already highlight the presence of criminals in local casino operations as reported recently in the Herald Sun: *“Crime gangs are using pensioners and the unemployed to launder millions in dirty money through casinos..... The Australian Crime Commission is closely watching casinos after an 18-month probe.”*

These reports highlight the need for the Commission to recommend strong and reliable non-transferable identification technologies being utilised for player pre-commitment and self-exclusion within the gambling industry both at venues and on the internet.

4.3 New EEU Default Limits on Audio Devices to Protect Consumers:

Interestingly the European Union has just mandated that it will establish ‘default limits’ and also ‘maximum limits’ for audio devices such as iPods in order to protect consumers in a new public policy development on managing consumer harm:

<http://www.sphere.com/world/article/europe-to-pump-down-the-volume-on-ipods-and-other-mp3-players/19282183>. All portable audio devices - iPods, smart phones and other MP3 players – will have a default top volume of 85 decibels. Consumers will be able to override the default settings, but the maximum volume permitted will be 100 decibels. Doctors have also recommended that such noise levels should be limited to ‘two hours a day’ to avoid hearing damage.

4.4 Ford MyKey:

The Ford Motor Company has recently released a car key which has pre-set limits on speed, traction controls and audio volume. See <http://www.msnbc.msn.com/id/27053080/>