

Second Submission to
Productivity Commission Inquiry
Australia's Gambling Industries

**Developments since August Submission
on the Issue of Discrimination by the
Australian Casino Industry
Towards Skilled BlackJack Players**

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1 Background

My name is Andrew Scott. I am the Managing Director and founder of bJ mAsters Professional BlackJack School, a private school that teaches casino gamblers to play BlackJack skilfully. Skilful play substantially reduces the casino's advantage and very skilful BlackJack players can even create a small advantage over the casino. I have been playing skilled BlackJack since 1988.

The industry's treatment of skilled BlackJack players has to date been unfair and discriminatory. Such players are either banned or their play severely restricted. They are branded as cheats and even criminals when in fact they break no laws.

I read with interest the Productivity Commission's Draft Report into Australia's Gambling Industries released in July, and noted there was no reference to the issue of skilled BlackJack play in Australia. The Commission invited response to their report.

In August, I made a submission to raise the issue of the current regulatory treatment of skilled players. This submission (number DR197) outlined both economic and ethical arguments why the status quo in relation to this issue is unsatisfactory. The submission also included recommendations that would assist in the maturing of the casino industry by the introduction of a code of ethical practice for the treatment of skilled players, without negatively impacting upon the industry's bottom line results.

In response to my August submission there have been a number of developments. The purpose of this second submission is to update the Commission on these developments, and to provide some comment on some industry submissions lodged in response to the Draft Report.

For simplicity the use of the male pronoun has been chosen to refer to either gender throughout this submission.

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2 Casino Response to my August Submission

After lodging my August submission, I appeared before the Commissioners at the Melbourne public hearing on 26 August 1999. I then sent copies of my submission and the transcript of my appearance to the Chairman of each of Australia's casinos, inviting them to a meeting to discuss the issues raised. I approached Sir Lawrence Street who agreed to chair such a meeting.

Only two of the 13 casinos provided any response whatsoever. Burswood Casino sent a letter saying that they had referred the matter to the Australian Casino Association. To date no response has been received from the ACA.

Star City's Mr Paul Arbuckle (General Manager of Table Games) and Mr Jim Hoggett (General Manager of Corporate Affairs) agreed to a meeting. At this meeting it became apparent that Star City rejected the contentions in my submission and were prepared to change from the status quo only if forced to do so through government intervention.

3 Additional Information

1 *The "Casino Executive Fear" factor*

After I lodged my August submission a skilled player who provided an excellent point of view that I had not previously thought of approached me. I shall refer to this argument as the "casino executive fear" factor. This fear factor may go quite some way to explaining why it is that casinos seem to often restrict or ban players who are quite unskilled.

The argument runs along these lines. Suppose you are a casino executive charged with the onerous duty of determining whether a player is skilled or not (and therefore should be banned or not). You are of course trying not to be accused by your superiors of making a mistake. Are you more likely to err on the side of classification as skilled or unskilled? You are *most definitely* going to err on the side of saying that the player is skilled.

Why? Because if you restrict or bar a player he basically disappears. After an initial remonstrance, he never returns to the casino and therefore if you make a mistake *no one will ever know!* On the other hand if you let the player play on and then it emerges 12 months down the track that he is a skilled player you may well be subject to severe reprisals from your superiors (or to use the more colourful vernacular, get your ass kicked). This is especially so if he has won a lot of money, even though that may well be more due to luck rather than skill, given the highly fluctuating nature of casino gaming.

2 *Star City Rule Changes*

In table 2 on page 23 of my August submission I outlined the house advantage against a perfect basic strategy player enjoyed by each of the casinos. On 1 October 1999 Star City changed the rules of BlackJack in its casino so that players could no longer resplit pairs that had been split, and also so that players could no longer double Ace-8 or Ace-9. This means the quoted advantage of 0.4415 per cent is now incorrect.

A notice was posted on every BlackJack table in the casino, offering a feeble excuse for this change. The gamblers, who Star City insists in their submissions to the Productivity Commission are educated about table games, had their intelligence insulted by being told that these "exciting" changes were made to "speed up the game, something which patrons have requested".

Of course the real reason is to increase the house advantage and therefore the price of the game from 0.4415% to 0.5516%, a 24.9 per cent price increase. In addition, if the game does go faster as Star City suggests, then gamblers will be experiencing a multiplier effect of losing at a faster rate on a 25% worse game!

I'm sure the gamblers will not find this 25 per cent price hike an "exciting change"!

4 Star City submission

I read with interest Star City's submission (number DR217) in response to the Draft Report. There are a number of items in this submission that take on special significance if read in the context of the arguments I put forth in my August submission.

On page 1 of their letter to the Commission, Star City state "we believe it is not sensible to make a big problem out of a small problem". I agree wholeheartedly and refer to pages 32 and 33 of my August submission. On page 3, in relation to the issue of problem gambling they contend that 8,000 people is a tiny proportion of gamblers and an insignificant proportion of the population. Yet the casinos must be protected from the "threat" of 100 skilled BlackJack players! This so-called threat is significant enough to provide special rules in every State and Territory of the country!

On page 2 they contend that the statement "that gamblers inevitably lose over time is outdated and shallow". Yet when a skilled player comes along who has a marginal advantage (or perhaps even no advantage at all) this is unacceptable to the casino.

On page 3 they recoil in horror at the prospect of creating a "new class of inspectorial busybodies". What about the *old* class of inspectorial busybodies, i.e. the casino executives watching every players' move, hunting down the skilled players so that the can be evicted or restricted! Star City "strongly doubts the propriety of prescribing what are, in effect, ethical norms, in our liberal democratic society". What about the propriety of prescribing what are, in effect, casino norms (i.e. gamblers must not use their brains and must play like idiots), in our liberal democratic society?

On page 11 Star City asserts, "people ought, as a matter of principle be free to pursue their own (harmless) interests". I couldn't agree more.

It is interesting to note that on page 24 I found a chink in the industry's ongoing refusal to acknowledge publicly the existence of skill at BlackJack. In attacking the Commission Star City poses the question "has the Commission seen advertising that suggests that table games (*other than blackjack*)... can produce wins through skilful play?" (Italics added)

On page 25 Star City expresses its grave concern at being asked to identify problem gamblers:

The proposal that providers "withdraw gambling" from suspected problem gamblers is naïve and dangerous. To suggest that gaming or other staff can be trained to discern a problem over which experts violently disagree is absurd. To ask them to intervene is to risk verbal and physical abuse and litigation particularly in those cases where there is no problem. This sort of grossly intrusive behaviour is possibly justified in cases of possible drink driving where the potential harm is very serious and properly authorised and trained police can back up the work and collect physical evidence at the time.

My contention to Star City is:

The current practice of "withdrawing gambling" from suspected skilled players is naïve and dangerous. To suggest that gaming or other staff can be trained to discern a level of skill over which experts violently disagree is absurd. To ask them to intervene is to risk verbal and physical abuse and litigation particularly in those cases where there is little or no skill. This sort of grossly intrusive behaviour is possibly justified in cases of possible drink driving where the potential harm is very serious and properly authorised and trained police can back up the work and collect physical evidence at the time.

On page 30 Star City complains that "no appeal processes at all exist for Star City, (nor, possibly, other casinos)" and they state "there can be no valid reason for this". What about the lack of an appeals process for a gambler falsely accused of being skilled?

5 ACIL submission

I read with interest ACIL's submission (number DR233) in response to the Draft Report. There are a number of items in this submission that take on special significance if read in the context of the arguments I put forth in my August submission.

On page 10 of the ACIL submission it is contended that gambling has an element similar to a high-risk investment or speculation. It is argued that gamblers don't necessarily lose over time. On page 12 ACIL contends that gambling is little different from investment activity: "Games such as blackjack ... allow scope for skill to influence the odds". If this potential for winning is so acceptable then why are skilled players evicted and restricted in the way that they are?

On page 17 ACIL states:

The PC must consider the strong case on ethical grounds in favour of personal freedom and limited intervention by government in all areas of activity.

What about the strong case on ethical grounds presented in my August submission in favour of personal freedom and limited intervention by casinos into the activities of skilled BlackJack players?

On page 115 ACIL admits that "the information [on player loyalty cards] in relation to table games in casinos is not totally accurate". How then, if the casinos admit their records of the wins and losses of players is not accurate, can they make an informed judgment about the skilfulness of any individual player?

On page 128 ACIL repeats the comment of Star City that there are not advertisements "that suggest table games (*other than blackjack*) ... can produce wins through skilful play." (Italics added). It seems for the first time that the industry is prepared to publicly acknowledge that BlackJack can produce wins through skilful play. But if a player is thought to be skilful (whether he actually is or isn't) he will be evicted or restricted. How does the industry reconcile these two positions?

6 ACA submission

I read with interest the Australian Casino Association's submission in response to the Draft Report (number DR234). I would like to make comment on two items in this submission.

On page 11 of the submission the ACA claims the casinos "go to some effort to ensure that information is readily available to consumers. In this regard the casinos are industry leaders." They say that in some cases it is virtually impossible for the gamblers to ignore the odds of the games (eg roulette) since the odds are displayed on the signs at the games.

This statement demonstrates how the casino industry is permeated by misinformation. The ACA itself does not understand that it is not the odds displayed at the games but the *payouts* that are displayed. At the roulette wheel the "red" and "black" bets are shown as 1 to 1 since that is the payout for a winning "red" or "black" wager (ie \$1 paid for every \$1 bet). Of course the correct odds are 19 to 18 (ie 19 in 37 chance of losing and 18 in 37 chance of winning). The "straight up" bet is shown as 35 to 1. This is the payout for a winning straight up bet (\$35 paid for every \$1 bet) but the correct odds are 36 to 1 (ie 36 in 37 chance of losing and 1 in 37 chance of winning).

If the ACA itself does not understand the difference between a payout and a true odds probability, what hope do ordinary gamblers have?

On page 12 the ACA acknowledges that lower odds on EGMs have led to a noticeable reduction in turnover. They insist that gamblers are educated and understand that the worse the mathematical odds on a game the lower the casino's turnover (and therefore profit) will be.

These statements fully support the contention on page 36 of my August submission that the existence of skill at BlackJack actually contributes to casino profits (since players love to pit their wits against the game). The removal of the skill element in BlackJack that is concomitant with the unfair discriminatory practices of the casinos actually costs the casinos money in the long run!

7 My submission in relation to the Final Report

I submit that the Commission's Final Report should contain reference to the issue of the treatment of skilled BlackJack players in Australia.

While the numbers of such players in this country is minute the grossly unfair and economically wasteful treatment of such gamblers is worthy of special mention on both moral and economic grounds. I stand by the issues raised and the points made in my August submission, and industry developments since August have only strengthened the validity of that submission.