

WORLDSMART TECHNOLOGY PTY LTD

SUBMISSION TO THE

**RESPONSIBLE GAMBLING
WORKING PARTY**

**Invitation to participate in trial of
Pre-Commitment System**

July 2008

Proposal

That the Responsible Gambling Working Party participates in a trial to be conducted by Worldsmart Technology Pty Ltd and a number of licensed gaming venues in South Australia for the purpose of trialing pre-commitment and player tracking systems.

Background.

In March 2005, Worldsmart provided a comprehensive submission to the Independent Gambling Authority's Inquiry into Smart Card Technology.

Since that submission, the Independent Gambling Authority (IGA) has indicated that:

“the codes of practice will be amended to prohibit inducements to gambling and loyalty programs, except in relation to card based systems which include harm minimisation features (such as pre-commitment and player activity statements).” Review 2006 – Regulatory Functions Para 5.2.6. Page 93.

Worldsmart has participated in public consultations conducted by the Responsible Gambling Working Party and demonstrated the system referred to in the submission to the IGA to members of the Responsible Gambling Working Party.

Furthermore, Worldsmart, in anticipation of the IGA's recommendation, has determined to conduct a trial of its pre-commitment functionality in gaming venues in South Australia.

At the Responsible Working Party's May meeting Worldsmart provided an overview of its proposed trial.

In the Responsible Gambling Working Party's Second Progress Report, an open invitation was extended to submit a proposal for trial of player tracking and pre-commitment systems in South Australia.

Worldsmart now formally invites the Responsible Working Party to be involved in such a Trial.

Discussion.**The Worldsmart System – Overview.**

Worldsmart Technology Pty Ltd is a South Australian based company that operates the largest smartcard loyalty system in Australasia. The system in South Australian is known as the J Card and is a wide-area network loyalty program used in hotels and clubs.

There are currently in excess of 250,000 J cards in use throughout Australia and 64 venues in South Australia. Card holders can use their card in any of the participating venues and are rewarded with loyalty points whenever they use their J card. J cards can be used in all parts of the hotel or club including bars, bottleshop, bistros and gaming rooms.

In participating venues there are a number of terminals or card readers which are linked to a venue computer that communicates to both the site controller and the point of sale system.

The venue computer is linked, via the internet, to a central database at Worldsmart. All data that is collected and transmitted is encrypted and stored in a manner that allows for proper audit processes.

To protect the integrity of the communication protocol between gaming machines and the IGC monitoring system, the Worldsmart system does not communicate directly with gaming machines.

The Worldsmart system is not dependent on any particular make of gaming machine or reliant on any particular monitoring system. Accordingly, the system can be integrated with a wide range of gaming machines and operate without changes to any of the communication protocols.

Cardholders who wish to play gaming machines merely insert their loyalty cards into a card reader and then insert coin into the machine. As they play, the Worldsmart system collects information from the site controller and uses that information to allocate loyalty points to the card.

The Worldsmart system cannot add or remove credits from the gaming machine.

The system can, however, record all transactions that occur on that gaming machine while a card is inserted in the card reader associated with the gaming machine.

To obtain a card, a customer completes an application form and is issued with a J card immediately. The enrolment process has a series of high level checks to reduce the incidence of multiple cards being issued to the same cardholder.

A more comprehensive description of how the loyalty system works is set out in the IGA submission.

Following is part of our submission to the IGA relating to the Pre-Commitment functionality:

“Pre-Commitment.

The Worldsmart system enables individual card holder to place limits on their cards. Those limits can be personalised and result in messages, visual and audible, at the smartcard terminal, at or in the gaming machine.

In the cashier area of the gaming room a computer screen displays, in real time what is happening at each terminal. The cashier can see what cards are in play, any messages being displayed on the terminal, any requests for assistance and a range of other management tools which enable the staff member to react or address any issues as they arise. The cashier is also able to communicate directly with the terminal at or in each gaming machine.

A cardholder who has placed limits on their card is able to play the gaming machine by the insertion of coin. However, once those limits are reached, a series of visual and audio warnings are given. The warning messages can be personalised, subject to some restrictions. If the cardholder has set time or expenditure limits, the information is stored on the card. If the player moves between machines those limits will still apply. In addition, the smartcard system enables the cardholder to move between venues and use the same card at all participating venues with the same limits applying to each venue, including taking account of that day's gaming activity at other venues.

A range of options have been included into the current system. These limits are not the only limits that may be included, they are only an indication of what might be required, or seen as desirable with the current limitations of the South Australian gaming machines and monitoring system.

Cardholders can pre-select a series of options, which include:

Expenditure related:

- *Maximum amount wagered, (per game, per session, per day, per week)*
- *Maximum net expenditure (wagered minus wins) per session, per day per week.*

Time related:

- *Maximum minutes per session and if the limit exceeded, minimum time period before play can resume (forced break)*
- *Maximum hours of play, per day, per week*
- *Lockout periods*
 - *Exclude any hour or time range for each day of the week*
 - *Exclude any day of the year*
 - *Exclude reoccurring dates (e.g. payday, pension days - every second week on Thursday etc.)*

Warnings and messaging

- *Ability to set a personalised warning message and when it is to appear, (up to five messages – 16 characters) (e.g. when 50% of session limit reached, 60% of daily limit, 80% of weekly limit etc.) These messages are tagged to any of the preceding restrictions.*
- *Ability to set visual and/or audible indicators when limits exceeded, or percentage of limits reached.*
- *Ability to opt in or out of the loyalty program.*

Cooling off periods

- *Ability to set a time period during which an increase in limits is prohibited.*
- *Ability to require third-party intervention before any increase in limits is permitted, (e.g. Welfare Counsellor).*

Rules for Engagement

Cardholders have the option of setting initial limits either at the time of enrolling for a card, or at any subsequent time.

At time of enrolment the application form is completed and the limits written to the card as part of the enrollment procedure.

At any subsequent time, the cardholder can present the card to any cashier terminal and have the limits added or varied, subject to any restriction on increasing the limits that may have been imposed, by them.

Alternatively, a secure web page will be available for the cardholder to log onto and modify any of their limits. The web server updates the information in the Worldsmart database and then broadcasts those limits to all terminals in the system. The next time the card is inserted into any terminal the limits set by the cardholder will be updated on their card. This site will also enable the cardholder to view their transactional activity.

This option, subject to cardholder consent, will be available to approved Counsellors. In this case, a rule can be set, requiring the Counsellor to verify an increase to limit.

The system does not require all cardholders to set limits. Recreational gambler can participate in the loyalty program without restriction. The recreational gamblers will however, be able to avail themselves of the option of setting limits at any time”.

Worldsmart’s submission to the IGA did not focus on player tracking; however, our system records all transactions where a card is used. This information is stored in an encrypted form on the venue computer and then downloaded to the Worldsmart central system. The information is stored in a data base and is used to calculate point activity.

The data from each transaction is capable of being used for the purpose of generating a “Player Activity Statement”. The format of these statements can be modified to suit most jurisdictions. It is our intention to provide statements on request by cardholders. They will have a choice of requesting a statement from the venue, or logging onto a secure web site and downloading the statement.

Worldsmart - Credentials

Current position:

- Worldsmart has a loyalty system operating in 64 venues with in excess of 200,000 card members supporting the program.
- Worldsmart has a card that is capable of being used in multiple venues.
- Worldsmart has a database that is capable of tracking and reporting card activity.
- Worldsmart has a mature database - than 8 years of data enables qualitative and quantitative research to measure pre and post activity.
- Worldsmart has the infrastructure and venue association to support a meaningful trial.
- Worldsmart is aware of IGA recommendations concerning loyalty and the requirement to incorporate pre-commitment and player activity statements.
- It makes good business sense for us to be involved.

Worldsmart is clearly in a position to trial this system and demonstrate its capability.

In 2003 Worldsmart commissioned Research Company New Focus to conduct formal qualitative research. The results of that research formed part of our submission the IGA Inquiry into the Codes of Practice and included the following key indicates

- 71% of J Card holders and 77% of the general public stated that setting limits on cards was a good idea.
- 45% of J Card holders and 21% of the general public stated that they would use such a feature.

Gambling Research Australian research by McDonnell Phillips (*Analysis of Gambler Pre-commitment Behaviour*, June 2006) indicated that the many gamblers do set limits and many would use a system.

Our position is to trial this system to determine if the research is consistent with actual behaviour.

Scope of the proposed trial.

Worldsmart's principle aims are:

- Provide the system, structure and information to assist customers to make informed decision about gambling.
- Motivate customers to use the pre-commitment product and seek information about their own gambling activity.
- Create an environment where customers can modify their gambling behaviour where warranted.
- Understand the needs of our customers and provide them with the right information and tools to enable them to gamble responsibly.
- Demonstrate that the system works and that it is capable of being used as part of a harm minimisation strategy.

Worldsmart is proposing a trial in four (4) venues. Where staff have already received relevant training which included:

- How and why pre-commitment can be a tool to assist all gamblers.
- How to explain the pre-commitment program to customers
- How to set gaming limit parameters
- How to respond to customers when any of those limits are exceeded.

Preliminary communication material has been produced, this includes display banners application forms and general information collateral.

Worldsmart has activated the system in the four metropolitan hotels which includes Colonnades and Woodcroft Taverns in the Southern Suburbs, Midway Tavern in the Northern Suburbs and the Albion Hotel in the Western Suburbs.

Staff at these venues will be actively responding to cardholders who exceed their limits and the training will encompass appropriate responses.

All other Jackpot Club Venues will have the software upgraded, for the purpose of the trial, and staff in those venues have been provided with an overview of what is happening and how to respond to cardholders who exceed limits.

While a variety of options are built into the Worldsmart system, a number of options, in terms of the limits that customers may set, these have been limited to four for the purposes of the trial these include:

1. Time spent gaming
2. Money spent
3. Breaks in play.
4. Opting out of loyalty program

The decision to trial a reduced number of options is largely based on the McDonnell Phillips research but also on the assessment that if too many options are offered it may act as a disincentive...

Recommendation:

Worldsmart invites the Responsible Gambling Working Party to participate in the trial process and acknowledges the Rule of Engagement set out in Chapter 5 of the Second Progress Report and accepts the basis of the engagement.

Minimum Criteria

In this section Worldsmart will address the Minimum Criteria as set out on page 27 of the Second Progressive Report.

Cost Effectiveness:

Worldsmart acknowledges that the cost of the trial is at its expense

- Worldsmart has developed the system.
- Hardware to support the trial is currently installed in 64 venues.
- The software has been deployed for the purpose of the trial.
- J Cards are currently in circulation
- The system being trialed is part of the loyalty program.
- Training has been undertaken at our expense.

Evidence Based:

Worldsmart welcomes a proper evaluation of the system and support the need for independent evaluation.

The Working Party's approach to evaluation set out on page 27 is noted and agreed. In particular Worldsmart notes reference to the evaluation being independent from Worldsmart: meaning that this cost will not be Worldsmart's.

Informed Choice:

The trial has been positioned as a feature of the current J card loyalty program. It is not compulsory and any participant has the ability to opt out of the loyalty program. They also have the ability to opt out of receiving any mail or other contact. Their decision to opt out of either the loyalty program or receipt of mail does not diminish the benefits to the cardholder and does not prevent Worldsmart from collecting and reporting activity as this will not identify the individual.

Integration:

The Worldsmart system is currently used by 64 venues and is operated in accordance with the current codes of practice.

Long Term:

Worldsmart has been a committed participant in the South Australian gaming market for over 8 years. The Company has invested significant resources in its system; including on going developing and enhancement of the program.

Worldsmart recognises the implications for its loyalty program in light of the IGA recommendations. It is, subject to the system meeting the approval criteria; it is the Company's intention to remain in this market. Accordingly, Worldsmart commits to extending the trial to full operation, if the evaluation by the Working Party considers the trial to be successful.

Worldsmart must, however, take into account the commercial reality and cost of conducting a prolonged trial, and therefore urge the Working Party to provide some guidance on the scope of the trial.

For example:

- Trial Parameters.
 - Are the options suitable?
 - Are more options required?
 - Format and content of Player Activity Statement
- Are the objectives appropriate?
- Outcome measures
 - Are there specific matters that need to be addressed?
- Additional venues
 - How many and what locations

- Consideration of incentives to cardholders to encourage participation
 - Are they appropriate?
 - Is the marketing material appropriate?
 - Where and how should the trial be promoted?
 - Are exemptions from current codes needed?

- Setting Time frames; how long, etc.

Privacy:

Worldsmart's current loyalty program complies with the National Privacy Principles.

Worldsmart is able to provide cardholder activity for evaluation purposes in a form that prevents the card holder being identified.

Where a cardholder has opted out of receiving mail, he or she is not prevented from accessing either the loyalty or pre-commitment feature of the system.

Simple:

Once a customer has made a choice about setting their limits they merely present the application form to the cashier. Those limits will be applied immediately. Alternately cardholders will also have the option of logging onto a secure web site to set or adjust limits. They will also be able to use this web site to see their player activity statement (final stages of development).

Variety:

Beyond Worldsmart's control - the company can merely offer the system and make it available at 64 venues (currently).

Voluntary:

Provided the cardholder has a J card which is available at any of the 64 venues, they can participate in the program. It is not, however, compulsory for those who wish to participate in the loyalty program to set limits or obtain activity statements.