



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON JUSTICE AND COMMUNITY SAFETY

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Submission Cover Sheet

Inquiry into Cashless Gaming

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ACT Legislative Assembly Inquiry into Cashless Gaming

The Community Clubs Industry Response to the ACT Legislative Assembly Standing
Committee on Justice and Community Safety

Prepared by CLUBSACT
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INTRODUCTION

ClubsACT welcomes the opportunity to respond on behalf of the ACT Not-for-Profit Community Clubs sector to the ACT Legislative Assembly Standing Committee on Justice and Community Safety inquiry into cashless gaming.

ClubsACT was established in 1974 and is an industry association recognised by the ACT Government and its agencies as the principal representative for the ACT Club movement. The main objectives for ClubsACT are to be an effective advocate for ACT clubs, and to promote policies which maintain a dynamic and prosperous club sector, as well as enhancing the club experience for the broader community.

Canberra clubs play a vital part in the Canberra community and are seen to contribute substantially to the Canberra economy each year. Not only do clubs contribute financially, they are also contributors to many facets of life in Canberra. This includes but is not limited to contributions to community sport, maintenance of community infrastructure, support provided to local employment and form a key provider of entertainment and hospitality to Canberrans.

As of September 2022, there were 47 licenced clubs operating across Canberra. Based on a survey conducted by RSM on behalf of ClubsACT, which captured aggregate membership numbers of 21 responding clubs, their current total membership is over 505,000 members. The larger clubs who responded possess membership bases of between 40,000 to 83,000 members. These figures suggest that each adult in Canberra is likely to be a member of at least one club.

ClubsACT represents small, medium and large Member Clubs including:

ACT Rugby Union Club Turner	Belconnen Soccer Club
Austrian Australian Club	Commonwealth Club
Ainslie Football and Social Club	Raiders Gungahlin
Gungahlin Lakes Golf Club	Raiders Belconnen
Australian-Croatia Club	Raiders Weston
Belconnen Bowling Club	Southern Cross Club Tuggeranong
Canberra Services Club	Southern Cross Club Jamison
Canberra Irish Club	Southern Cross Club Woden
Canberra Racing Club	Southern Cross Yacht Club

Canberra Deakin Football Club
Eastlake Football Club Griffith
Eastlake Calwell
Eastlake Gungahlin
Federal Golf Club
Harmonie German Club
Mawson Club
Murrumbidgee Country Club
National Press Club of Australia

Royal Canberra Golf Club
Spanish Australian Club of
Canberra
Vikings Erindale
Vikings Lanyon
Vikings Chisholm
Vikings Town Centre
Yowani Country Club

ClubsACT has also been working in collaboration with the Labor Club Group (representing 4 venues across the ACT) in the preparation of this response to the ACT Government.

Most but not all of ClubsACT members have Gaming machines in premises as part of their normal business operations and have an interest in developments related to cashless gaming. While the industry receives technology advice from the Gaming Technologies Association (GTA) and various Electronic Gaming Machine (EGM) manufacturers ClubsACT will not refer to those issues, as we understand that the GTA will be tabling its own submission.

This is an initial response based on currently available information. Given that the technological developments in this area are rapidly evolving and trials of cashless gaming models are still at an early stage, there is a lack of definitive information on some of the terms of reference of this inquiry and we have addressed this below in our responses to those particular terms of reference.

To supplement this industry wide submission, ClubsACT encouraged members to make individual submissions regarding their own particular assessments on this subject. We understand that a number of clubs have done this. As noted above, the GTA intends to make a submission on behalf of the EGM manufacturers.

Responses to the specific terms of reference are included at the end of the submission.

ELECTRONIC GAMING MACHINES (EGMs) IN THE ACT

The ACT cannot be compared to other jurisdictions in terms of the environment in which EGM's are regulated and deployed. EGMs in the ACT are substantially only located in highly regulated licensed not-for-profit venues which has insulated the jurisdiction from the worst excesses of illegal behaviours.

Currently the overwhelming majority of EGMs in the ACT are class C machines that are only available in not-for-profit Licensed Club premises. A very small cluster of much older Class B machines are located at a couple of for-profit hospitality venues.

Unlike the newer Class C machines, Class B gaming machines are machines that only play the game of draw poker, or a game derived from draw poker, that requires player interaction or intervention as part of the fundamental game operation unlike the newer digitised machines. No new Class B licences, authorisation certificates or authorisations are being granted in the ACT. According to the ACT Gaming and Racing Commission (GRC) Trading Scheme information provided as at 1 April 2023 the ACT only has 5 Class B licenses active representing 30 machines in total.

As distinct from other jurisdictions, the ACT has no EGMs in the for-profit Casino venue.

Given the recent identified serious issues with Casinos in many other jurisdictions, and concerns over their governance and the failures to adhere to regulatory and legal obligations. ClubsACT opposes any further expansion of EGMs to for-profit venues including the Casino.

We believe that sufficient evidence now exists to substantiate the view that gambling in connection with a profit motive can become a key driver for negative and potentially criminal behaviours. We firmly believe that any further expansion to for-profit venues of EGMs would undermine community and regulatory interests.

OVERVIEW OF CASHLESS GAMING

The recent expansion of interest by regulators with respect to cashless gaming has been driven by two issues, the findings with respect to the operations of Casinos and their failures to meet regulatory and legal expectations as to their gambling practices and, the NSW Crimes Commission recommendations designed to tackle identified issues with

money laundering. It is important to note that these two factors have no application to the ACT Jurisdiction.

ClubsACT Members remain committed to providing a range of proactive, evidence-based, harm minimisation measures to further reduce harm from gaming and working with the Legislative Assembly and the government to achieve these objectives.

It is important to stress at the outset of this submission that Cashless Gaming conceptually has no evidenced role in harm minimisation in and of itself. We will further address this point in the body of this submission.

Cashless gaming involves the use of non-cash gaming tokens for land-based gambling, and has the potential to become more widely used across Australia due to the COVID-19 pandemic reducing the use of cash and developments in some jurisdictions with respect to anti money laundering efforts.

Cashless gaming is currently available in different forms in all states and territories in Australia. Along with recent moves to trial digital wallets, two common methods for this are:

1. Ticket in ticket out, where gamblers insert a ticket with the cash equivalent amount on the ticket into a gambling device, and print a new ticket when they finish on that device
2. Card based cashless gaming, where a card is swiped or tagged each time a gambler wishes to pay for gambling.

ClubsACT supports the introduction of cashless gaming technology for EGMs with strong harm minimisation safeguards. However, we do not support prohibiting cash on EGMs while cash remains a common form of legal tender for consumers.

In implementing cashless gaming there are important risks to manage. If the features of cashless payments deter EGM usage, either because there are too many steps, or because there is weak data or cyber security, patrons are likely to move to online or other forms of gambling which will present the risk of new forms of gambling harm and undermine industry viability. Licensed Club venues currently play a significant role in harm minimisation of gambling as they provide the only community-based harm identification and intervention environments.

We believe that the rollout of cashless gaming must be informed by trials and other empirical evidence to ensure these risks are managed. ClubsACT is committed to working with federal and state governments to ensure that the adoption of non-cash payments for EGMs meet the expectations of clubs, patrons and regulators.

PRINCIPLES AND CONSIDERATIONS REGARDING CASHLESS GAMING

ClubsACT recommends that the policy and technical settings underpinning cashless gaming reflect the below principles and considerations.

- Use existing systems and infrastructure, where possible, including the existing banking and payments architecture;
- Ensure the policy and regulatory settings adopt a technology and payments-neutral position, while continuing to ban credit betting;
- Prioritise ease-of-use and ensure the system is seamless from a customer experience perspective and consistent across venues;
- Minimise costs associated with implementation and ongoing use;
- Ensure strong privacy and cyber security protections. For instance, where possible, patron data should not be held in a single location, as this would heighten cyber security risk;
- Enhance competition wherever practicable within the not-for-profit sector;
- Seek to target controls at problem gamblers before exploring controls that apply more broadly and affect recreational gamblers;
- Consider unique regulatory constraints on clubs in their ability to onboard patrons (e.g., venues being unable to advertise or offer incentives to create an account);
- Equip patrons with the tools and features to manage their gambling voluntarily and empower them to make deliberate informed, conscious choices (rather than mandated rules, e.g., hard limits or “one-size-fits-all” arrangements);
- Complement, rather than replace, other (federal) AML/CTF laws and retain the risk-based nature of the existing framework;
- Foster collaboration between law enforcement and venues to support investigations;
- Avoid giving other parties the ability to retain player data for secondary or separate purposes (e.g., credit checking, marketing);
- Avoid substitution to other (more potentially harmful, untaxed or unregulated) forms of gambling; and,

- ClubsACT is strongly of the view that the banking sector needs to be included in any regulatory development for these standards given their direct role in terms of electronic funds expenditure, their capacity to identify suspicious or aberrant financial transactions and the infrastructure they currently have that can assist in harm minimisation capabilities in terms of player behaviour and expenditure.

CASHLESS GAMING, MONEY LAUNDERING AND HARM MINIMISATION

ClubsACT endorses the consideration of a national approach by jurisdictions to work with manufacturers and industry to develop national standards for the adoption of cashless gaming in terms of technology options and regulatory frameworks.

The full replacement of cash-based play may have the unintended consequence of impacting on some patrons personal capacity to effectively budget their gaming expenditure. It is well known that some patrons use their disposable cash as a budget measure to control or limit their expenditure. Some patrons find it easier to spend money without constraint when utilising cashless mechanisms. The individual should be able to choose the method of play that best empowers them to control their entertainment expenditure.

Michael Phelan APM, former head of the Australian Criminal Intelligence Commission and Deputy Commissioner of the Australian Federal Police has confirmed to ClubsACT, and our members at a public forum late last year, that there are no law enforcement concerns about money laundering in Club venues in the ACT and it has not been identified as an issue. The ACT has a highly regulated, mature and comparatively small Club industry with a high reputational standard and cohesive working relationship with Government.

For these reasons, ClubsACT urges that any detailed consideration of cashless gaming be done through the prism of patron or player choice to best advantage empowering individuals to make choices in gambling that best suit their individual budgeting approach.

Canberra Clubs welcome the opportunity to work constructively with the ACT Government to continue to deliver a safe and sustainable gaming environment for the ACT utilising a best practice model and a public health approach.

In terms of potential issues of harm minimisation, the Victorian Responsible Gambling Foundation, July 2020 report “What is the impact of cashless gaming on gambling behaviour and harm?” provides some useful insights to the issues surrounding cashless gaming and harm minimisation. The conclusion of the report states *“In conclusion, the current rapid review has identified substantial and concerning evidence that cashless gaming using monetary substitutes such as gaming cards will likely facilitate less controlled gambling behaviour and potentially lead to gambling harm in some consumers. It has also identified the potential for some vulnerable segments of society to be negatively impacted by cashless gaming.”*

This is largely attributed to research evidence that suggests that the ‘pain of payment’ in cashless payment methods is lower than when using cash.”

TERMS OF REFERENCE AND RESPONSES

Terms of Reference:

1. What the implementation of card-based cashless gaming technology in the ACT would look like;

There are a variety of systems and options for this currently being trialled across Australia and a significant trial is about to occur across NSW. ClubsACT recommends consideration of trials in the ACT or at the very least strong engagement by the ACT Government with the NSW Regulators and close monitoring and evaluation of their trial results.

To minimise cross border issues, we recommend the ACT mirror a regulatory approach in this area not inconsistent with any NSW model that is implemented.

We defer to the GTA submission in terms of the technology elements related to this question and other terms of reference, as there is a variety of systems being trialled.

2. Experiences in other jurisdictions of cashless gaming trials, with particular consideration to issues around implementation;

The landscape of trials on new cashless gaming systems is still somewhat in its infancy with the most significant trial to be operated in NSW and that has yet to begin.

We believe it is premature to provide any substantive comment on this question at this point in time. Again, we defer to any submission made by GTA on this question.

3. The nature and extent of money laundering that may be occurring in licensed premises in ACT through electronic gaming machines;

Based on the advice we have received from Mr Michael Phelan APM at the time he was the CEO of the ACIC (his term completed in November 2022) and subsequent to that, there is no identified issues or concerns with Money laundering occurring in not-for-profit licensed premises in the ACT through EGMs.

4. The extent to which card-based cashless gaming would impact organised crime in the ACT;

We refer to our answer on question 3 as there is no identified organised criminal activity in the ACT related to EGMs. We do not anticipate that any increased concern of this possibility given the recent NSW Crime Commissions recommendations supporting cashless gaming.

We also request that the ACT Legislative Assembly seek to limit any further expansion of EGMs only to not-for-profit venues so as to keep the profit incentive from impacting on EGM use in the ACT.

5. The potential impacts on reducing gambling harm from electronic gaming machines in the ACT;

Cashless gaming by and of itself has no substantiated role to play in terms of harm minimisation and has been embraced in other jurisdiction as a law enforcement mechanism to address money laundering and bad practices by for-profit venues. Neither factor is currently relevant to the ACT jurisdiction.

We do not recommend the embracing of cashless gaming as a harm minimisation outcome without appropriate consideration of harm minimisation framework to support it, especially given the lack of evidentiary support for this proposition.

Any Cashless gaming options should be considered to work in conjunction with harm minimisation measures rather than as a separate tool in and of itself.

ClubsACT supports cashless gaming only as an enhanced consumer choice consistent with market trends, and recognising changes in patron behaviour and preferences. ClubsACT firmly supports a hybrid approach with both cash and cashless options available to patrons.

6. Any legislative or regulatory considerations that would be required if card-based cashless gaming were to be implemented in the ACT;

As there is a variety of systems being trialled and considered in terms of cashless gaming options, we would find it difficult to give a substantive response to this question until such time as new model systems are being identified for adoption.

With any new business process/system there is increased regulatory requirements for the industry, which will result in additional corporate resourcing to ensure compliance.

We would ask that the government -whose role it is to define the policy, then implement and regulate with this in mind. A funding offset for industry would also be required at this time taking into account identified costing issues.

Legislative and regulatory considerations should take into account the broad range of issues identified in this and other submissions to this inquiry.

7. Any cross-jurisdictional issues that may arise from the implementation of cashless gaming.

There are significant issues related to this questions that would be directly impacted by the choices made in the NSW jurisdiction at the completion of their trials.

The ACT has a historical jurisdictional relationship with NSW in terms of the approval of EGMs.

As was evidenced during the COVID lockdowns, the potential border hopping of patrons to utilise different regulatory opportunities to maximise their expenditure is an evidenced concern.

It is also important to keep in mind that the small number of EGMs in the ACT unfortunately minimises our jurisdictional leverage with the manufacturers of EGMs.

ClubsACT recommends that the ACT work as closely as possible with the NSW regulators in this space and consider implementing a regulatory approach that mirrors that of NSW where practicable and possible for these reasons.