

Consultation on a Proposed Casino Monitoring System

Purpose

An application has been submitted by SkyCity Entertainment Group Ltd (“SkyCity”) for minimum equipment standards to facilitate the introduction of a new casino management system.

The aim of this consultation paper is to invite comment from interested or affected stakeholders on whether it is appropriate for the Secretary for Internal Affairs (“the Secretary”) to create these minimum equipment standards. Minimum standards can be made to enable the introduction of the proposed system, constrain its use, or prohibit its introduction.

The application has been made by SkyCity because the current gaming machine monitoring system is at its “end-life”. The proposed casino management system is wide ranging and would provide the casino and its customers with a number of tools.

Included in the system are components to manage and promote the gaming machine side of casino business. This consultation document focuses on the functionality associated with gaming machine play including proposed promotional systems. A parallel consultation to interested parties focuses on the technical aspects of the proposed system as a whole.

Application Overview

To function effectively, casinos need to have gaming machine monitoring systems for integrity and accountability purposes. At their most basic, monitoring systems allow casinos to monitor faults with gambling equipment, track the performance of games, monitor gaming machine play and the flow of gaming machine profits. Contemporary monitoring systems are more sophisticated in the above respects and have the ability to reward gaming machine play with promotional experiences at gaming machines through integrating previously standalone loyalty systems.

The proposed system provides an overlay screen on gaming machines which allows players to access their play history, loyalty points, information on promotional offerings, receive other marketing and responsible gambling messages and receive notification of promotion wins or awards.

The current application contains features which automate current loyalty systems/promotions and provide casinos with the ability to tailor promotional offerings which can be experienced at gaming machines and table games (where appropriate). The application includes:

- an integrated jackpot controller
- promotional bonusing functionality which:
 - dictates how loyalty points are accumulated
 - provides prizes or entry of promotional draws
- free play rebate (conversion of loyalty points to gaming machine credit)
- a voluntary pre-commitment system

Each aspect of the application is addressed below.

Context of Analysis

The application from SkyCity needs to be assessed with reference to the purposes of the Gambling Act 2003. One of the purposes of the Act is to prevent and minimise the harm caused by gambling, including problem gambling. It is with respect to this purpose that the Department has identified potential issues for consideration

Assessment of Application against Relevant Guidelines

The Department assesses applications for new minimum standards against the Operational Policy Harm Prevention, Harm Minimisation and Responsible Gambling Guidelines.¹ These guidelines require the Department to take, in the absence of evidence, a precautionary approach in decision-making where there is a reasonable concern that significant and/or widespread harm may occur.

Context

It is important to analyse identified risks in the context and environment for which approval is sought. Any form of gambling analysed in isolation would be found to be potentially harmful.

It is not the function of the Secretary to reject applications merely because the proposal may be popular and attract custom. The question is whether a proposal could change or exacerbate harmful gambling behaviours. Therefore, it is appropriate for the Secretary to focus his analysis on the potential for proposals to represent a “reasonable concern that significant or widespread harm may occur” for an identifiable segment of the population. It is only in answer to these questions that assumptions about the popularity or attractiveness of a proposal are relevant.

All consideration based promotions in casinos are governed by the Casino Promotions Rules which were originally prescribed in 1997. A “casino promotion” is conducted to promote the sale of goods or services where the right to enter is dependent on the purchase “at a price not exceeding the usual retail price, of any such goods or services, or any specified quantity or value of such goods or services, within a specified period”.

A number of harm prevention and minimisation initiatives and requirements are in place in casinos. Casino operators have problem gambler identification policies including exclusion procedures, host responsibility programmes, and staff training in harm prevention and minimisation. Casinos must also make information about problem gambling freely available and display signage encouraging responsible gambling.

¹ The Guidelines are located on the DIA website at:
[http://www.dia.govt.nz/pubforms.nsf/URL/GamingOperationalPolicy.pdf/\\$file/GamingOperationalPolicy.pdf](http://www.dia.govt.nz/pubforms.nsf/URL/GamingOperationalPolicy.pdf/$file/GamingOperationalPolicy.pdf)

Significantly in the context of this application, SkyCity is required under its Host Responsibility Programme² to “ensure harm minimisation issues are considered and addressed in the development of marketing initiatives, including those directed to members of SkyCity's Loyalty Programme”. As such, if the proposal were to be approved, in part or in whole, SkyCity has obligations which extend to how the system could be used whether it be in the context of minimum standards constraining the use of the system or otherwise.

SkyCity currently runs a loyalty programme that contains several membership tiers. This is called the Action Rewards programme and has three base tiers which are determined by the number of loyalty points a player has earned over time. The programme also has “Platinum”, “Platinum VIP” and “Pacific” membership levels for higher end patrons.

Players are able to earn loyalty points at differing rates depending on membership status. For example, the lowest membership tier currently earns 1 point for every \$4 wagered at gaming machines while the highest earns 1 point for every \$2 wagered.³ To enable loyalty points to be recorded, all players must use a card when gambling at machines or tables. SkyCity states that approximately 60% of all gaming machine play at Auckland casino is currently carded.

SkyCity runs regular promotions for casino patrons including some which are restricted to loyalty club members. Current promotional activity includes both free to enter and consideration based prize draws and the allocation of complimentary to players where the eligibility criteria is dependent on the accumulation of a specified number of loyalty points. For example, currently a sweepstake draw is conducted on Wednesday nights with loyalty club members obtaining an entry for each day they gamble at the casino. On Friday nights there are free entries between 5pm and 8pm to a draw for \$10,000 which is doubled for loyalty club members. SkyCity has also regularly conducted draws for loyalty club members where players automatically receive entries based on the number of points they accumulate over the period of the promotion. Typically the point thresholds for these promotions range from 50 – 500 points per entry.

The Department must assess the proposal for change within the general context of the current environment.

**Integrated
Jackpot
Controller**

The proposed system would allow for the introduction of an “integrated jackpot controller”. Currently, all jackpots have stand alone controllers which are individually configured for banks (groups) of gaming machines. This proposal would enable jackpots to be implemented or its parameters modified from a centralised source (and without recourse to manufacturers)

² A copy of the SkyCity Host Responsibility Programme can be found on the Gambling Commission website under decision GC24/07:
[http://www.gamblingcommission.govt.nz/GCwebsite.nsf/Files/Decision103/\\$file/DecisionGC2407.pdf](http://www.gamblingcommission.govt.nz/GCwebsite.nsf/Files/Decision103/$file/DecisionGC2407.pdf)

³ This relates to turnover (i.e. the sum of all wagers). Loyalty points are not attributed on the basis of player losses.

This proposed new system provides operational benefits to the casino operator and also facilitates the introduction of jackpot win information into loyalty club players' activity statements. Jackpot win information is not currently attributed to player history records and this has led to the credibility of win/loss data being challenged in the courts when produced for evidentiary purposes.

An integrated jackpot controller would also provide the casino operator with greater flexibility in the number of gaming machines which are contributing to a particular jackpot. Currently stand alone jackpot controllers are practically constrained in terms of the number of gaming machines to which they can connect. The ability to configure a jackpot to connect to a larger number of gaming machines could increase the size and rate at which jackpot pools accumulate.

It is noted that the Secretary does not currently prescribe a maximum number of gaming machines which can attach to an individual jackpot within a casino, nor constrain the size of jackpots. The Secretary does not propose that such restrictions should be in place as, at this stage, any such restrictions in the current environment would likely be arbitrary.

It is noted that SkyCity has obligations under its Host Responsibility Programme that environmental design of the casino will not contribute to the onset of harm or exacerbate risk (section 2.5.1). This obligation extends to gambling equipment features and would encompass how the casino operator would configure the system.

Do you have any comments on the integrated jackpot aspect of the application?

**Bonusing
Functionality**

The new promotional bonusing functionality facilitates entry to promotions, the provision of prizes and complementary offerings together with the accumulation of loyalty points.

Each aspect of the promotional functionality is outlined below.

Time-based incrementing value award

This functionality allows the casino to offer players (both table game and gaming machine players) awards. As a promotional tool it allows winners to be selected from a group of players who meet the promotion's requirements and are engaging in carded play at the time of the promotion.

The prize that is awarded is not funded by player contributions, but rather provided directly by the casino operator. As a stand alone promotion that is not funded by gaming machine play, any prizes won by a player would not form part of the "net wins or net losses" calculation for player information.

displays (PIDs).⁴

The casino is able to set the criteria for eligibility, winning levels and win frequency to produce random awards. The functionality utilises a time-based incrementing value which is awarded to randomly selected winners based on the eligibility criteria. Essentially the incrementing value award is a promotional form of jackpot which is not directly funded by player contributions.

The time based incrementing value award feature is struck within a specified time period. The casino operator is also able to customise the rate at which the promotional pool's award level grows. To the extent that the striking of the award is time bound, it has the potential to excite player behaviour as a mandatory win time approaches. However, it is noted that this is a similar scenario to current jackpot systems which have mandatory strike values.

The prizes for these promotional awards can take the form of further loyalty points, promotional credits, cash, complementary offerings (e.g. meals) or entry to draws.

The proposed system is fully configurable by the casino. Eligibility criteria are able to be defined by player type (e.g. loyalty membership tier or members of any specified group), generic game type (e.g. table games, gaming machines or specific types of games) or geographically (e.g. casino wide or specific banks of machines)

The ability to configure the eligibility criteria would also potentially allow the operator to select participants in other ways. In addition to the examples above, the eligibility criteria for these promotions could be theoretically set against any recorded value (i.e. information metered on gaming machines). For example, eligibility could be based on the denomination the player is using or the length of a session of play.

The incidence and length of the promotion are also configurable as is the growth rate of the award. Weightings could be added to the chances of players winning such as increased chances for those in certain loyalty tiers or increased chances based on average wager size in a set period.

As noted in the following section SkyCity have advised that it is not their intention to use the functionality to its full potential.

Considerations and Constraints

The Secretary considers that there is the potential with the flexibility of eligibility criteria, depending on how it is utilised, for players to experience increased gambling related harm. That is, the ability to offer promotions that are dependent on players meeting defined play criteria creates the potential to negatively alter gambling behaviour within a particular gambling session or gambling sessions.

⁴ However, any credits downloaded to gaming machines from loyalty points would, if gambled, form part of the net wins/net losses calculation.

One of the requirements of SkyCity Auckland's Host Responsibility Programme as provided by the Gambling Commission is that it will not engage in marketing which encourages or reinforces gambling behaviour that "encourages customers to participate beyond their limits of time or money".

SkyCity has agreed that the proposed system has functionality which, if used to its full potential, would not be appropriate in the New Zealand environment. To this end, SkyCity has stated its intention not to create eligibility criteria for promotions or affect the winning mechanism for promotions through:

- the denomination of gaming machine or minimum table wagers;
- levels of a player's loss;
- the average wager size;
- length of play; or
- any other basis determined by metered information (e.g. number of plays or cash-in) relevant to individual players.

It is considered that these constraints would, as a minimum, negate many promotions which could directly influence gambling behaviour in terms of time spent gambling within a gambling session and the intensity of play within a gambling session. The Secretary would, if this application were approved, reflect these constraints in minimum equipment standards as it relates to the performance of the system.

In addition to less direct behavioural criterion such as loyalty club membership tiers, geographical considerations across the casino floor and generic game types, SkyCity has stated its intention for promotions to require one or more of the following:

- presence in the casino either prior to and/or at the time of the promotion determination;
- active participation on table(s) or gaming machine(s)
- accumulation of a minimum number of loyalty points (i.e. turnover) in a set period of time.

SkyCity has run promotions since 1997 on the basis of the bulleted points above.

You may wish to consider the following questions:

Despite the proposed restrictions, do you consider the time based incrementing value award would facilitate gambling that is extended, intensive and repetitive? If so, why? If not, why not?

If you consider harm could arise from this proposal, do you think it might affect one group more than another (e.g regular gamblers, recreational gamblers, at risk gamblers)? If so, why? If not, why not?

Do you consider any identified concerns can be practically mitigated through regulation?

Are there any other relevant considerations/potential concerns?

If you have identified concerns, do you consider, on balance, it is reasonable to assume reasonably significant or widespread harm may occur?

Secondary Prize Awards

The system incorporates a secondary feature attached to the above time based incrementing value award which can also be triggered in conjunction with normal jackpot wins.

This mechanism allows other players to be awarded prizes when the major prize/jackpot is struck. For example, a player wins the main prize and then a defined number of other players who meet the eligibility criteria also gain secondary awards.

As with the primary time base incrementing value award functionality, the eligibility criteria for participants can be set under the system and the awards are not directly funded by player contributions. The number of eligible participants, number of potential winners, and the size of the award are all configurable.

Considerations and Constraints

This proposed mechanism is similar to a type of jackpot approved for the class 4 environment. In that case, the jackpot when assessed for that particular environment was restricted to a maximum of 5 additional prizes of up to \$50 in value. That assessment was made on the basis of identifying who could be impacted by the proposal, the possible effect on player motivations within a session of play from the presence of additional prizes, and the environment in which it could occur (i.e. an environment with a maximum jackpot of \$1000 and no more than 18 machines).

If approved, the eligibility criteria for participation could be similarly constrained if that was deemed to be necessary. This may limit motivating specific types of gambling behaviour in order to qualify for a chance of the secondary award.

SkyCity has experienced the negative effects of a promotion whereby all players connected to a gaming machine bank where a jackpot was won received additional prizes. That promotion led to some players participating in extremely long sessions of play. However, SkyCity states it has learned valuable lessons from that experience and believes the enabling technology can be used responsibly to add to customers' entertainment experiences without the associated risks.

One way of mitigating risks would be to place some limitations on the number of secondary awards so there was no guarantee that all persons playing on a bank would receive a secondary award when the jackpot was struck.

You may wish to consider the following questions:

Do you consider it to be a reasonable or unreasonable assumption that extended play would occur as a result of the proposed secondary prize system? If so, why? If not, why not?

If you consider that there are identifiable groups which could engage in extended sessions of play (who would not normally), do you consider that significant and/or widespread harm may occur? If so, why?

Do you consider placing limits on the value of secondary prizes in relation to the major award would alter the motivation for any extended sessions of play while maintaining the "entertainment" value of the proposed product?

If so, what restrictions do you consider appropriate and why?

Are there any other modifications that may limit the potential for harm?

Are there particular considerations in respect to the casino environment which should be taken into account?

Are there any other relevant considerations/potential concerns?

Loyalty Point Accumulation and Other Promotional Mechanisms

The proposed system also provides modes for:

- managing the provision of loyalty points
- the electronic management of promotional draws
- the electronic management of complementary offerings ("comps")

Point Accumulation

The proposed system, like current loyalty systems operated by casinos, awards players points in return for gambling turnover or other spend in the casino venue (e.g. dining). The level of points one can earn will often depend on the membership tier of the player or in some cases the time of day.

In addition to the provision of standard loyalty points, the proposed system could centralise and promote at the gaming machine a form of multiple point accumulation SkyCity currently operates. As such, the proposed system would allow the casino to specify time periods in which multiple points could be earned (e.g. 2 x points on Wednesdays). SkyCity has stated that commercial considerations mean that this never exceeds a multiple of three (though the proposed system has a system specification of up to a multiple of nine).

As with the above incrementing value award feature, the proposed system would also allow eligibility criteria for multiple point offerings to be set by the casino operator. The criteria by which it could theoretically be set are for a group of players, machines, loyalty club membership tier celebratory event etcetera or even an individual player who meets certain play criteria.

The proposed system is also theoretically configurable across days for eligible

participants (e.g. increased points per consecutive visit) and has the potential to inform players of an effective countdown with increased points on offer as the promotional period ends.

Electronic Draws

The proposed system automates entry to promotional draws at gaming machines. The system could allocate tickets automatically, allow players to redeem loyalty points for draws, conduct draws and inform players if they have won a particular promotion.

These types of draws are currently conducted by SkyCity under the Rules of Casino Promotions. Players may take their loyalty card to a kiosk to confirm the entry or entries based on the criteria of the promotion. The distinction between the current system of draws and this proposal is the ease by which draws can be implemented and the ability to manage a wide range of eligibility criteria and promotion designs.

As above, eligibility criteria are able to be defined by player type (e.g. loyalty membership tier or members of any specified group), generic game type (e.g. table games, gaming machines or specific types of games) or geographically (e.g. casino wide or specific banks of machines).

The ability to configure the eligibility criteria allows the operator to select participant groups. In addition to the examples above, the eligibility criteria for these promotions could be theoretically set against any recorded value (i.e. information metered on gaming machines). For example, eligibility could be based on the denomination of the gaming machine the player is using.

Complementary Offerings

The system also automates the awarding of complementary offerings which is consistent with the current practice. SkyCity currently offers complementary awards to players based on the level of turnover at the casino. Players are able to use the points they have accumulated to purchase casino merchandise, meals and drinks, car parking and other casino services.

The system would enable automatic complementary offerings to be made available to players who reach a certain loyalty point threshold with increased offerings as point levels are met in a defined period. A promotion design is available whereby, if a player were to accrue a set number of loyalty points in a day, they would qualify for a complementary gift/prize. As they play past that base point, further prizes are available on top of the initial prize and bonus loyalty points also become available to facilitate meeting the promotion's next step. This promotion design allows for multiple steps in a single day.

Considerations and Constraints

With respect to all these features, as noted above, SkyCity agrees that the use of the proposed system should be constrained to negate eligibility for accessing bonus point accumulation being determined by losses, wager size,

length of play or other metered information. The exception to this is that SkyCity would continue to create conduct promotions based on turnover criteria.

The intent behind these constraints is to minimise factors which have the potential to alter behaviour in particular gambling sessions. For example, if bonus loyalty points were only available to players who played a gaming machine with a certain denomination or for a certain length of time, there is the potential for the nature of gambling sessions to change and players to play beyond their limits of time or money.

The above constraints mean that, if approved, bonus points earned through play at the casino would remain at a static level (i.e. not increase over a period of time), for a set period of time (e.g. between 5pm and 8pm) and be available to all players or select groups (e.g. tour groups) without reference to session-based play criteria. This means SkyCity would not be able to create promotions where the speed of accumulating points increases over the length of a player's stay.

The exception to this is determining eligibility based on the number of loyalty points accumulated in a set period of time (i.e. on player turnover). This means SkyCity could set eligibility criteria on the basis of how much people wager in a gambling session.

SkyCity has run promotions in the past whereby a player gains entry to a promotional draw for every 500 loyalty points earned in a specified period. Typically, this period of time has been lengthy (e.g. 4 weeks) rather than within a single gambling session or over a period of hours. The proposed system provides the operator freedom in the setting of point thresholds and time periods.

You may wish to consider the following questions for each of the above proposals:

Despite the proposed restrictions, do you consider the point accumulation, electronic draws and complementary systems would, respectively, facilitate gambling that is extended, intensive and repetitive? If so, why? If not, why not?

If you consider harm could arise from these proposals, do you think it might affect one group more than another (e.g. regular gamblers, recreational gamblers, at risk gamblers)? If so, why? If not, why not?

Do you consider any identified concerns can be practically mitigated through regulation?

Are there any other relevant considerations/potential concerns?

If you have identified concerns, do you consider, on balance, it is reasonable to assume reasonably significant or widespread harm may occur?

**Free Play
Rebate**

This aspect of the proposed system would allow players to convert loyalty points into credits for gaming machine play. SkyCity draws a similarity between this functionality and the free game features that exist on some gaming machines. That is, the ability to play gaming machines without incurring direct cash cost.

Under this proposal, players would be able to download their loyalty points as “free credits” to gaming machines up to an equal value of the credits they have already played (i.e. turnover not loss). The player would then have the choice to wager those credits or cash-out. The net effect would be that a player could leave the gaming machine with an amount of “free play funds” up to an amount that had already been wagered subject to any limit set by the casino.

Any credits downloaded to a machine would increment the credit meter. If those credits were wagered, it would form part of the “money spent” information for player information displays (PIDs) and would contribute to the “net wins or net losses” calculation.

Currently, players at SkyCity casino are able to redeem loyalty points for non-cash items within the casino, gaming chips or cash. The effect of this part of the application is that players would be able to redeem those points directly at a gaming machine and then choose whether to wager those credits or “cash-out”.

Considerations

Do you consider free play rebates would facilitate gambling that is extended, intensive and repetitive? If so, why? If not, why not?

If you consider harm could arise from this proposal, do you think it might affect one group more than another (e.g. regular gamblers, recreational gamblers, at risk gamblers)? If so, why? If not, why not?

Are there any other relevant considerations/potential concerns?

If you have identified concerns, do you consider, on balance, it is reasonable to assume reasonably significant or widespread harm may occur?

**Voluntary Pre-
Commitment
System**

The proposed system comes with a voluntary pre-commitment module. As with all of the above bonusing functionality it would be dependant on players using casino loyalty cards. SkyCity report that approximately 60% of current gaming machine play is carded and argue that one of the intents for the system as a whole is to increase this percentage.

The pre-commitment system would allow carded players to set limits on the time and/or expenditure associated with their gambling. This can empower

players and provide greater levels of awareness about their play. It is not intended that this system would require mandatory choices to be made regarding time/expenditure but rather provide a tool for those who choose to use it.

The system would be player centric rather than tied to a gambling session on an individual machine. This means a player can move from machine to machine while still having their play tracked and subject to any limits they may have imposed. In this sense, it would complement the elective and interruptive displays (PIDs) currently on all gaming machines.

It is not proposed that the system would shut down a machine if the specified limits were breached or otherwise prohibit a player from playing beyond any nominated thresholds. As not all play is required to be carded, a player who breaches a nominated threshold could simply remove the card to continue play without being tracked.

In the alternative, the system is designed to notify a player when a threshold is breached and provides an automatic alert to host responsibility staff when this occurs. This would enable host responsibility staff to take interventions at their discretion.

The proposed system would have flexibility in how its parameters are set. Under its application, SkyCity has stated it is considering the following parameters:

- Allow players to set daily time and loss thresholds;
- A day would be defined as a 24 hour period with a six hour break resetting the 24 hour period;
- A breach of daily limits would negate the ability to accrue further loyalty points for a 24 hour period;
- Pre-commitment thresholds could be increased or decreased at any time;
- An increased threshold would require a 24 hour "cooling off" period before the new thresholds were to apply with an additional requirement for the player to reconfirm the choice after that time;
- Casino staff would be alerted if thresholds had been altered.

It is not proposed by the Secretary that such parameters would be contained in standards or other regulatory tools at this time but rather subject to casino's own internal controls. It is considered this would provide flexibility to improve the use of the system with experience.

The introduction of the system would be in alignment with SkyCity's stated obligation under its Host Responsibility Programme that it would in the future seek means to allow any player to set restrictions on the days, hours per session or expenditure associated with their gambling (section 2.6.4).

Finally, a connected advantage to this aspect of the system is that it would allow players to access activity statements directly at gaming machines (including jackpot win information with an integrated controller). The proposed system would have an overlay screen under which a player could access loyalty account information and, at the same time, review play activity.

within a specified period of time. The time period over which such information could be provided is only constrained by system memory.

Currently, activity statements are manually available to carded players upon request but the proposed system would enable such information to be more accessible for players

Do you have any comments on the voluntary pre-commitment aspect of the proposal?

Do you have any additional comments on any aspect of this consultation?
