

Consultation on Class 4 Jackpot Minimum Equipment Standards

Background

There are currently two generic types of jackpot systems that are authorised to operate at class 4 venues. These are jackpots that electronically download jackpot win information to gaming machines ("downloadable jackpots") and jackpots that do not download this data ("non-downloadable jackpots") and require a manual payment by venue staff.

In 2008 the Department consulted on proposed minimum equipment standards for class 4 jackpot systems. The proposal included the withdrawal of approval for non-downloadable jackpot systems. The proposal sought the replacement of non-downloadable jackpot systems by 1 July 2009 to coincide with the mandatory introduction of Player Information Displays ("PIDs") on all gaming machines under the Gambling (Harm Prevention and Minimisation) Regulations 2004.

The proposed adoption date raised a number of concerns. These concerns primarily included issues of harm minimisation, timing, and the costs associated with the short timeframe for compliance at a time when the sector was gearing up for PIDs compliance. Accordingly, the Department considered it would be unreasonable and impractical to implement the proposed standard with its 1 July 2009 adoption date.

It is considered the impediments raised in the last consultation are now able to be resolved.

Reason for the Proposal

The Department still wishes to mandate the use of downloadable jackpot systems in class 4 venues. The non-downloadable jackpots that are affected by this proposal are:

- EZI-Bucks Jackpot System
- Totalux Jackpot System
- Mikohn Mystery Link Controller

The introduction of downloadable jackpots will augment the information able to be provided on PIDs. Because non-downloadable jackpots do not send win information directly to gaming machines, this information is not included in the net wins or net losses figure for any particular session of play.

The "game information" feature of PIDs also provides information to players on the total return to player of a game. This information includes, for downloadable jackpots, the total return to player as a sum of the jackpot and game as well as providing discrete information on the contribution made by the jackpot system. This information is currently shown on a separate notice for non-downloadable jackpots.

In addition, depending on which type of jackpot system is used, the Electronic Monitoring System ("EMS") reconciles class 4 gambling turnover and win information differently. Non-downloadable jackpot systems are currently required to connect directly to the EMS site controller because they do not communicate jackpot wins to

gaming machines. This makes the gaming machine proceeds (GMP) reconciliation process more complicated and can affect the initial accuracy and timely validation of reporting by EMS of GMP at the venue, society and national level. It is also considered that the withdrawal of non-downloadable jackpots will simplify venue management activities.

Harm Minimisation

Many of the submissions from societies in the last consultation round argued that downloadable jackpots do not have the same harm minimisation benefits that exist with non-downloadable jackpot systems. Submitters argued that:

- The requirement for a manual payment from a non-downloadable jackpot win provides a clear interruption through the receipt of the prize that is superior to that provided by PIDs; and
- The ability to make a manual payment to patrons is a positive harm minimisation measure in that the credits from a jackpot win are not available for immediate reinvestment.

The Department agrees that these are significant and legitimate concerns. As a means of negating these concerns, it is proposed that a mandatory cancel credit mechanism be included in the technical specifications for gaming machine operations.

Using the EMS site controller and the QCOM protocol it may be possible to effectively set a gaming machine credit limit. Should that limit be reached, the gaming machine would lock up and enforce a cancel credit. The effect of such a mechanism would be that for significant jackpot wins, the credit meter would reach that threshold and provide the same break in play and manual payment as occurs with non-downloadable jackpots.

This mechanism would not distinguish between jackpot wins and general credit levels on gaming machines. If a player put in large amounts of cash or experienced a series of game wins to the extent it reached the set level, the gaming machine would still lock up.

However, it is not considered that this would prove an impediment to general gaming machine play if the lock-up mechanism were set at an appropriate level. The maximum prize on a gaming machine is \$500 and occurs infrequently and in class 4 operations with its prize structure there should not be motivation for players to put large amounts of cash into gaming machines at any one point in time.

As a means of targeting the large jackpot wins while not interfering with normal gaming machine play, it is proposed that a credit level of \$600 is an appropriate setting for this lock-up mechanism.

Costs and Timing

The cost associated with moving to downloadable jackpot systems would depend on the nature of the current equipment being operated and the type of jackpot a society wished to purchase. It is understood that many non-downloadable jackpot systems are able to be upgraded to a downloadable format. The costs for such upgrades, depending on the equipment in place, are understood to range from a few thousand

dollars up to \$15,000. However, a brand new jackpot system can cost from \$20,000 to \$30,000.

Ideally, the Department would like to implement a "sunset clause" into the standards to provide certainty for a transition. The Department recognises that the cost of a move to a downloadable format would differ from society to society. If a "sunset clause" were to be introduced to the minimum standards for phasing out non-downloadable jackpots, it would be set taking into account the needs and circumstances of societies.

Submission Process

The Department seeks your views on:

- the proposal to mandate the use of downloadable jackpots;
- if downloadable jackpots were mandated, what an appropriate transition period for your society would be (if applicable) and why;
- the use of a lock-up mechanism for set credit levels; and
- the proposed \$600 threshold.

Please forward any technical queries to Bruce Manuge, Senior Technical Advisor, on (04) 495 9343, or by email at: bruce.manuge@dia.govt.nz

For other enquiries, please contact Angus Hyatt on (04) 495 7271. Written submissions can be addressed to:

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In light of the New Year period, please provide any submissions by 19 February 2010.

