

16 April 2009

By Email

Regulation & Compliance
46 Waring Taylor St, PO Box 805
Wellington, New Zealand
Freephone 0800 257 887
Telephone +64 4 495 7200
Facsimile +64 4 494 0620
Website www.dia.govt.nz

Consultation: Proposed Amendments to Casino Game Rules

The Department has received applications to make three amendments to the rules of casino games

The first application seeks to change the denomination of games which can be played on Ticket-in/Ticket-out capable gaming machines. The second application seeks to remove the restriction on the number of Cash-in/Ticket-out gaming machines that can be deployed in a casino. The final application seeks to index progressive jackpot prize levels on Caribbean Stud Poker to the size of the wager.

Please find attached a discussion document for your consideration

Please provide any submissions to the Department by Friday 15 May 2009

Submissions can be addressed to:

Barbara Tairua
Personal Assistant
Operational Policy
Gambling Compliance Group
PO Box 805
Wellington

Barbara.tairua@dia.govt.nz

If you have any queries on this material or process, please feel free to ring Angus Hyatt, Senior Advisor, on: 04 495 7271

Yours sincerely



Heather McShane
National Manager, Operational Policy
Gambling Compliance Group



Consultation: Proposed Amendments to Casino Game Rules

Purpose

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 amend the game rules for Electronic Gaming Machines with respect to cashless gambling and amend the rules of Caribbean Stud Poker. The applications received seek to:

- remove the restriction on the number of cash-in/ticket out (CITO) gaming machines in casinos;
 - amend the denominations of gaming machines that are able to be used with ticket-in/ticket-out (TITO) capability; and
 - amend the progressive jackpot prize schedule for Caribbean Stud Poker.
-

Scope of application

SkyCity Entertainment Group Ltd (SkyCity) has made the above applications. If successful, the CITO and Caribbean Stud Poker amendments would be available to all New Zealand casinos. The TITO amendment would only be available to SkyCity Auckland casino.

Application descriptions

Cash-in/ticket out Gaming Machines.

CITO enabled gaming machines require players to insert money into the gaming machine in order to play and, when “cashing out”, produce a ticket entitling the player to the value printed on that ticket. The player will then take the ticket and it will be redeemed at the cashier’s desk or at a ticket redemption machine.

Rule 5A of the casino Electronic Gaming Machines Game Rules currently makes provision for the use of this technology. The rules limit the number of CITO machines in a casino to the lesser of 300 or 25% of the approved gaming machines in any given casino. This figure includes any TITO machines that are in operation.

The game rules do not currently limit the value that can be printed on a ticket but require any credits to be paid on a single ticket, and require the Problem Gambling Helpline 0800 number to be also printed on the ticket.

SkyCity has made an application to remove the restriction in the game rules on the number of gaming machines that can be CITO enabled.

SkyCity’s stated motivation for this change is to increase customer satisfaction and staff efficiencies. SkyCity believes this amendment would have harm prevention and minimisation benefits.

Cash-in/ticket-out gaming machines are currently operated at SkyCity Auckland Casino only.

Ticket-in/Ticket-out Gaming Machines

TITO enabled gaming machines are a form of non-account-based cashless gambling. TITO machines allow players to insert credits into gaming machines via a ticket and then print a ticket with any residual credits or winnings included. TITO capable gaming machines are restricted to accepting tickets with a value of \$500 or less and are restricted to gaming machines with denominations of 20 cents or more.

SkyCity has applied to amend the restriction on the denominations for which TITO enable games can be played. SkyCity is seeking an amendment to allow TITO functionality to be included on gaming machines with denominations of 5 cents or more.

While game rules apply to all New Zealand casinos, were this amendment to be made it would in practice only affect SkyCity Auckland. This is because when the Gambling Act 2003 (the Act) came into effect, the Secretary did not prescribe minimum equipment standards for TITO functionality. SkyCity Auckland has TITO capable gaming machines by virtue of section 329 of the Act. This section requires gambling equipment in use prior to the introduction of the Act to be treated as having complied with the relevant equipment standards.

SkyCity has requested this amendment because the supplier of its TITO machines will no longer be providing sufficient TITO capable games at the higher denominations following a move to gaming machines with player information displays (PIDs). The affect of the amendment would be to allow SkyCity to continue to operate the 300 TITO machines it has been permitted to operate since 2004 (albeit machines of a lower denomination).

Caribbean Stud Poker Jackpot

Caribbean Stud Poker is a table game which also includes a progressive jackpot feature for those players who wish to make a side bet. All the Caribbean Stud Poker tables are linked to one progressive jackpot. In the case of SkyCity Auckland, there are currently seven tables operating.

SkyCity is seeking to amend the jackpot prize levels to index this against the wagering levels. The game rules currently allow casinos to set the wager size for participation in the progressive jackpot feature of Caribbean Stud Poker; however the jackpot prize levels are set in the rules.

The effect of how the rules are currently written is that were SkyCity to increase the wager amount, some of the corresponding prize values would not increase. The progressive jackpot wager level is currently set at \$1 at all New Zealand casinos. For SkyCity Auckland, this has been the case since 1996.

SkyCity states it is making this application in response to patron demand and general inflationary pressure.

A track changed copy of the proposed amendments is attached.

Context of Analysis

The applications from SkyCity need 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. Another purpose is to limit opportunities for crime and dishonesty associated with gambling. It is with respect to these purposes that the Department has identified issues for consideration.

Assessment of Application against Relevant Guidelines

The Department assesses applications for new game rules 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.

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.

It is in the context of the current rules in this environment that the Department must assess the proposal for change.

Cashless Gambling

The Department issued a position paper on cashless gambling in 2006. Aspects of that paper are relevant to the context in which this application will be assessed. A copy of that paper can be found on the Department's website.²

**Cash-in/
Ticket-out**

If approved, this application would be to make it theoretically possible for all casino gaming machines to be equipped with this technology. This would mean that all players would be able to cash out from a gaming machine without the assistance of a gaming machine attendant.

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)

² The Cashless Gambling –Interim Position Paper is located on the DIA website at:

[http://www.dia.govt.nz/diawebsite.nsf/Files/CashlessGamblingPaper/\\$file/CashlessGamblingPaper.pdf](http://www.dia.govt.nz/diawebsite.nsf/Files/CashlessGamblingPaper/$file/CashlessGamblingPaper.pdf)

SkyCity has submitted that removing the restriction on the number of CITO capable gaming machines would have positive harm prevention and minimisation implications or, at worst, would have a neutral impact.

Enabling players to cash out from gaming machines, via ticket, would remove the need for players to wait for staff assistance when a gaming machine requires a manual payment. SkyCity have stated that it is its experience that a number of patrons will continue to play machines while waiting for a staff member to arrive. It is argued that providing the means by which a player's decision to halt play is given immediate effect is a positive harm prevention and minimisation measure.

An alternative argument can be raised that the ability of a player to cash-out reduces the break in play when attendant action is required to cash-out and allows that player to move on to another machine immediately. However, this argument is moderated by those players who would need to redeem the ticket prior to continued play.

Do you consider this proposal would facilitate gambling that is extended, intensive and repetitive?

Alternatively, do you consider the opposite is more likely or would it be neutral?

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)?

The Secretary has raised concerns with SkyCity that the widespread use of this technology could result in reduced interaction between customers and floor staff. It may also lead to a reduction in gaming machine area floor staff numbers through the labour savings the technology would provide. If the technology were to become widespread, it may also result in the introduction of ticket redemption machines negating the need for customers to exchange tickets at the cashiers desk. In turn, this technology would arguably impact on the provision of host responsibility in the gambling area and increase the potential for anonymity in gaming machine play.

SkyCity have submitted that any reduction in staffing levels or the introduction of ticket redemption machines would need to be assessed, at the time, against its Host Responsibility Programme (HRP). The HRP places obligations on SkyCity to consider the environmental impact of any changes made on the gambling floor. The argument is that SkyCity's obligations under the HRP transcend any amendments to the game rules and are auditable by the Secretary.

Do you consider this proposal is contrary to the principle of early intervention?

Do you consider this proposal would increase anonymity of gaming machine play?

Do you consider any identified concerns can be practically mitigated by a casino operator through attending to concerns in line with its host responsibility obligations?

The Position Paper of Cashless Gambling states that due to the cash-in function, CITO technology is still subject to the legislative restriction on banknotes over \$20 in value. It is in this respect that CITO systems are of no regulatory concern.

The Paper also notes that cash-in/ticket-out systems, with potential anonymity in ticket redemption, may facilitate money laundering. That is, the provision of tickets may facilitate the transformation of money into another form.

Do you consider this to be a reasonable concern?

If so, can you identify any means to mitigate this factor?

It has also been submitted that since all tickets must contain information on how to contact a problem gambling service provider, a greater provision of CITO machines would enhance the visibility of this information.

Do you consider that, on balance, this aspect is a significant mitigating factor to any identified concerns?

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?

**Ticket-in/
ticket-out**

The Position Paper on Cashless Gambling notes that the Department is unlikely to permit non-account based cashless gambling under the Act but that it is appropriate to permit the existence of currently approved cashless systems. The main objection to TITO systems noted in that paper is the apparent conflict with the \$20 bank note restriction in section 180 of the Act, the potential to reinforce continuous play through the ability to quickly load credits onto a machine, and the potential for increased player anonymity. The operational benefits were not seen to outweigh the above concerns.

That paper and the Department's position on cashless gambling is due to be reconsidered but is not the subject of this consultation. The application from SkyCity, while needing to be considered with reference to harm prevention and minimisation considerations, is an application made in the context of an existing entitlement.

As such, any submissions on TITO cashless systems must be confined to the current environment. That is, this application would only affect those TITO machines for which SkyCity Auckland has authority to operate by virtue of section 329. The proposed reduction in the value of games that can be played on TITO capable machines does not affect the arguments around the potential conflict with the \$20 banknote restriction.

However, it is arguable that the potential for anonymity of play is increased by the proposed reduction. That is, a card with a \$500 limit that can be used on 5 cent games has the potential to provide at least four times the length of play than it can when used on 20 cent machines. There are many variables that can affect potential anonymity, including the host responsibility obligations the casino operator undertakes

The Casino Control Authority's (CCA) rationale for having limited TITO to 20 cent games is not clear. SkyCity stated its initial intent was to install TITO games in the VIP area where higher denomination games were more prevalent. The positioning of TITO games in VIP areas is not a matter that is prescribed.

Also raised by SkyCity at the time was the distinction between the denomination of games in the class 4 (non-casino gaming machine) sector which were predominately smaller, and those for which TITO was proposed. There is no indication that the CCA considered either of these aspects. Nevertheless, it is noted that the proposed reduction to 5 cents machines or higher would still maintain the distinction of TITO being offered on games with denominations which are largely unavailable in the class 4 sector.³

Do you consider the proposal would reinforce continuous play or increase player anonymity?

Do you consider the comparison to the denominations of class 4 gaming machines is a relevant consideration? If so, why?

Are there any other relevant considerations/potential concerns?

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

**Caribbean Stud
Poker
Progressive
Jackpot**

The application submitted by SkyCity seeks to align the jackpot payment schedule with the level of wager determined by casinos for the progressive jackpot side-bet. Under the current rules, casinos could increase the progressive jackpot wager amount but the payouts for certain wins would not rise under the rules. For example, the current prize levels for a "Full House" or a "Flush" are \$150 and \$100 respectively under the rules and cannot change irrespective of the size of the wager. The main prize for a "Royal Flush" is \$10,000 or 100% of major prize pool, whichever is the greater.

Under the proposal, the largest prize that could be won would not change to the extent that it would still be "100% of the prize pool". The difference would be the amount to which the prize pool could climb. Should a casino operator, in the absence of a change to the game rules, now choose to increase the minimum wager amount, an increased prize pool would still result.

³ Less than 1% of gaming machines in the class 4 sector are 5 cent denominations or higher.

However, the corresponding prizes for lower value hands would not be adjusted proportionately raising fairness considerations for players.

SkyCity estimates that based on past performance the jackpot could be expected to exceed \$300,000 on occasion. An analysis of the last 10 "Royal Flush" progressive jackpot wins at SkyCity Auckland casino (since 1 August 2007) shows an average win of approximately \$118,000 with a maximum win of \$225,000.

By means of comparison, the average major jackpot prize on gaming machines this year to mid March is \$104,000 with the biggest prize being \$386,000 and the second highest prize being \$138,000. Assuming a wager level of \$2.50 (indicated by SkyCity as its desired wager level), the Caribbean Stud Poker jackpot prize pool could, on many occasions, represent the largest prize on the gambling floor.

SkyCity considers the application will have a neutral impact on harm. This view is partly based on:

- a \$2.50 wager is at the lower end of the wagering levels available in casinos;
- the prize payments arising from minor Caribbean Stud Poker jackpots are insignificant when compared to those available on other games;
- while the prize pool would grow more quickly and the major prize exceed \$300,000 on occasion, there are no regulatory constraints around the size of table game or gaming machine prize levels; and
- the proposed amendments would not result in any material changes to the casino environment.

The Secretary considers the above points to be legitimate considerations but not determinative.

It is considered likely that the proposed increase in the jackpot levels through this amendment would make Caribbean Stud Poker a more attractive and popular game. However, this is not considered a legitimate consideration in and of itself. Rather it is a question of the harm that could arise from game play on the tables where there is an increased jackpot level.

The Secretary considers there is potential for extended, intensive and repetitive gambling being encouraged by the increase in jackpot levels that this application may result in. That is, the availability of a high level jackpot may encourage some patrons to undertake longer sessions of play. With respect to more intensive gambling, it is noted that each player can only make one side wager on the jackpot feature per hand.

On this matter, SkyCity has stated that they do not consider it will result in extended, intensive and repetitive play because:

- Caribbean Stud Poker is one of the slower table games in casinos and the rate of play will not be affected; and
- Caribbean Stud Poker is a minor part of the game mix at Auckland casino and it is intended to remain that way.

Do you consider it reasonable to assume that the proposed change in the game rules would result in extended, intensive and repetitive gambling?

Do you consider the set of people for whom potential harm could occur would be existing Caribbean Stud Poker players? If so, why? If not, why not?

Are there any other relevant considerations/potential concerns?

Are there any means by which any identified concerns could be mitigated?

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