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GAMBLING
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COMMISSION

ACT GAMBLING AND RACING COMMISSION

Discussion Paper

Promotions & Inducements under the Gambling and Racing Control (Code of Practice) Regulation 2002

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1. Purpose

The purpose of this paper is to inform discussions and industry guidelines for gaming machine licences in the ACT on the Commission's view of acceptable promotions and inducements under the *Gambling and Racing Control (Code of Practice) Regulations 2002*.

2. Introduction

Promotions and inducements, including player reward / member loyalty schemes, offered to patrons or potential patrons of a gambling facility are often used to gain new business and maintain customer loyalty. However, there is a risk that such promotions could encourage patrons to gamble more than they intended.

The *Gambling and Racing Control (Code of Practice) Regulations 2002* (the Code) provides gambling licensees with a minimum set of standards that must be met in providing patrons access to their gambling products. It recognises that some people have difficulties controlling their gambling behaviour and that this may lead to harm experienced by the gambler themselves, their family and associates.

The Code first commenced on 1 December 2002 and, following extensive consultation, was reviewed and subsequently amended on 1 August 2014. Part of these amendments clarified the provisions of the Code relating to promotions and inducements while providing flexibility for licensees to market and promote their venues and facilities and to encourage patron loyalty. One of the key elements of these amendments was to ensure that gambling activity was not the only focus of club activity and the resultant promotions.

The Commission's inspection activity and the receipt of a number of complaints has highlighted that some promotions and inducements, including player reward schemes, include elements contrary to good harm minimisation practices and the intent of the Code to minimise the harmful effects of problem gambling.

The Commission now seeks to identify acceptable parameters of player reward schemes in order to achieve harm minimisation policy objectives and to assist licensees achieve compliance with the Code.

This Discussion Paper has been developed to clarify acceptable parameters of player reward schemes in order to achieve the above objectives. The Paper outlines the key principles of the Code that are relevant to the issues surrounding player reward schemes and proposes a number of options for consideration.

3. Regulation of Promotions and Inducements

The Code of Practice places several obligations on licensees in relation to preventing and minimising problem gambling. These include some responsibility for consumer protection measures aimed at contributing towards a responsible gambling environment, and the prohibition of encouraging a person to gamble beyond their means.

Promotions and inducements, including player reward schemes, can encourage increased participation in gambling. The Code requires licensees to not encourage a person to gamble beyond their means, including through player reward schemes or any other promotions. Promotions and inducements offered by licensees are regulated by the Code under Sections 1.30 and 1.30A.

A player reward scheme is defined in section 1.30(9) of the Code. It means a scheme in which the patron of a facility –

- earns points by participating in an activity at the facility; and
- may redeem the points for a reward or benefit.

A player reward scheme can include a ‘player loyalty scheme’ or similarly named system that rewards patrons for their membership and participation in club activities. Typically they include the allocation of points or rewards for being a member of the club, frequenting the facility, purchasing food and beverages and participating in a range of activities including gaming, sports and recreation.

The Code has some specific restrictions on promotions and inducements that include gambling in order to minimise potential harm. Under the Code (section 1.30(1)) the licensee of a gambling facility must not conduct a promotion that:

- requires or encourages people to gamble at the facility for a minimum period of time to qualify for rewards; or
- requires or encourages people to gamble a minimum amount to qualify for rewards; or
- includes an offer of free or discounted alcohol.

The Code of Practice has further restrictions for promotions and inducements conducted by gaming machine licensees under section 1.30(3). A gaming machine licensee must not:

- conduct a promotion or offer an inducement that encourages people to increase their intensity of betting at the facility;

- induce people to gamble at the licensee’s facility by offering:
 - free or discounted alcohol; or
 - cash, or free or discounted gambling credits, unless the offer of cash or credits is made to all patrons in the facility all of the time as part of the facility’s usual or regular prize schedule.

The Code specifically restricts the targeting of promotions for gaming machines to particular times (such as ‘happy hours’) or particular groups so that vulnerable patrons are not encouraged to gamble more than they otherwise would.

4. Specific use of player reward schemes by licensees

Player reward schemes, including a player or member loyalty program, are types of promotions and/or inducements designed to encourage a patron to use the facilities on offer at the venue including the gaming machines.

The industry’s stated purpose of a player reward scheme is to encourage people to attend one venue over another and in doing so to use the facilities, including gaming products, at that venue. The conversion of points into goods, cash, food and beverages or gaming credits is the reward for repeated or ‘loyal’ participation in the range of activities on offer at the venue. The key element in this scheme is that gaming, as one of the available activities, is not targeted or focused upon disproportionately when compared to other entertainment or social options at the venue.

The risk of including gaming in player reward schemes is that it may encourage people to spend more on gambling than they had budgeted or planned to spend. Some aspects, including prizes and the offer of bonus points, can strengthen the inducement or incentive for patrons to increase their gambling activity as part of the overall scheme.

A number of such schemes use a ‘tiered’ system where rewards relate to activity or participation across a range of facilities offered at a venue. These systems rank participation of patrons into levels or tiers according to certain points thresholds established by the licensee. These and similar schemes can also encourage competition between patrons for earning or accruing points by playing EGMs, such as a ‘leader board’ type of approach, which is not consistent with good harm minimisation practice.

While some reward schemes are capable of being consistent with the harm minimisation objectives of the Code, some are clearly not. Where a player reward scheme seeks to increase the level of gambling activity or the intensity of betting then these schemes are not consistent with the Code or the principles on which it is based. The dilemma is to unambiguously identify these schemes so that appropriate restrictions can be applied.

Some player reward schemes could be inconsistent with the Code in a number of ways. Elements of particular concern include:

- cash rewards on a regular (such as daily) basis for achieving certain gaming machine turnover or exceeding other patron's turnover in a given period;
- entry to promotions or rewards only by playing gaming machines;
- 'bonus' points offered only to patrons playing gaming machines, particularly during identified or restricted periods of time.

These aspects contradict either the provisions of the Code or its harm minimisation objectives in the following areas:

- Clause 1.30(3)(a) which specifically requires a licensee to not encourage people to increase their intensity of betting.

This clause focuses on money gambled in a particular timeframe. A promotion that requires or focuses on a certain level of gambling activity conducted in a set period, such as an hour, a week or a month, may encourage people to increase their intensity of gambling during this period.

- Clause 1.30(7)(a) where a person wishing to redeem points under a player reward scheme, and where gambling credits are offered, a range of other rewards must also be available.

The intention of the prohibition of only cash or gambling credits being offered as rewards is to limit the amount of cash that gamblers have at their immediate disposal and to reduce encouragement to continue to gamble. It also focuses rewards away from gambling activity as the only form of entertainment.

- Clause 1.30(7)(b) limits the overall reward value to \$1000.

Limits on reward values assist patrons to control their expenditure while enjoying the benefit of seeking prizes and rewards. There is a risk that player reward schemes encourage players to spend more than intended which may increase problem gambling incidents by encouraging patrons to not only focus their spending at one venue but also to increase their overall level of activity.

- Clause 1.30A states that any promotion where a method of entry or participation is playing gaming machines, must include at least one alternative method of entry that does not require gaming participation.

The clause ensures that promotions do not focus solely on gaming. Promotions that require patrons to gamble to participate may encourage vulnerable patrons to gamble where they otherwise would not and may encourage patrons to gamble more than they intended.

5. Suggested Elements of an acceptable player reward scheme

A player reward scheme must be compliant with the Code (particularly clauses 1.30 and 1.30A). Based on the above harm minimisation principles, a player reward scheme must be consistent with the following requirements:

- bonus points or rewards are not offered for gaming machine activity at certain times and not others;
- prizes or rewards based on gaming machine activity or turnover are not calculated over short periods of time (eg. less than 2 or 3 months);
- rewards of cash payments or other prizes are not offered on the condition of attendance at the venue (this does not affect lucky-badge draws or meal or drink vouchers);
- swipe card machines for points rewards are not located in gaming areas;
- incentives designed to encourage patrons to gamble rather than participate in other activities available at the venue are not included, such as with enhanced rewards or bonuses for gaming which are not available with other entertainment activities;
- bonuses over and above the usual points reward schedule (including bonus points, cash rewards, gaming credits, club credits or the like), are not be based on frequency of participation in gaming at a venue (number of times a card is inserted into a machine), length of participation (time spent) or turnover (credits in or credits won);
- tiered systems must not require a certain level of gambling to qualify, or encourage an increase in gaming intensity;
- cash rewards or any other bonuses for meeting thresholds or tiers are not to be calculated solely on gaming activity but must equally involve at least one other activity;
- promotions should not rank players in a player loyalty scheme according to their gaming machine activity or turnover where rewards are based on a players ranking;
- all parts of any player reward scheme are to be clearly identified to participants or prospective participants and that information is available upon request;
- the value of bonus points, cash bonuses or other rewards must be included as part of the calculation of the value of prizes available for redemption.