30 March 2012

Joint Select Committee on Gambling Reform
PO Box 6100
Parliament House
Canberra   ACT   2600

Re: Inquiry into the prevention and treatment of problem gambling

Thank you on behalf of the Gaming Technologies Association ("GTA") and its members for the opportunity to provide input to this Inquiry.

This submission is intended to discuss the following matters related to the Inquiry Terms of Reference, for the benefit of the Committee:
- The so-called "high intensity" of Australian poker machines.
- The cost and complexity of changing any aspect of poker machine software.

This submission is also intended to respond to the following specific items outlined in the Inquiry Terms of Reference:
   (a) measures to prevent problem gambling, including:
         (i) use and display of responsible gambling messages
   (e) data collection and evaluation issues
   (f) gambling policy research and evaluation

GTA provides the following input to the Joint Select Committee:

About GTA

GTA is a not-for-profit company limited by guarantee, established in 1990 for the purpose of promoting the development of Australia's manufacturing resources.

GTA's primary members provide gaming technology and equipment to hospitality venues in over three hundred jurisdictions worldwide, eight of which are in Australia. GTA's primary members include Ainsworth Game Technology, Aristocrat Technologies, Aruze Gaming Australia, Bally Australia, IGT (Australia), Konami Australia, Shuffle Master Australasia and WMS Gaming Australia.

GTA members supply all of Australia's new poker machines. All GTA's primary members are public companies or part of a public company and their primary focus is the development and supply of new games and gaming machines.

Matters related to the Inquiry Terms of Reference

GTA would like to discuss the following matters related to the Inquiry Terms of Reference.

The "intensity" of Australian poker machines

In recent years, a myth has grown that Australia's poker machines are "high intensity". This is wrong.

The fact is, Australia's poker machines are among the world's least "intense". Their rate of play is slower and their maximum bet is lower than almost all of the other seven million gaming machines in operation everywhere else in the world.

Almost anywhere other than in Australia, bets can be placed in tenths of a second or less by 'fast forwarding' the reel spin; compared to a reel spin duration of at least three seconds and more usually five seconds in Australia. In many cases, the Maximum Bet is either unlimited or much larger than in Australia.

The actual average hourly revenue of gaming machines in Australia is around $10.91 or less than 1% of the $1,200 "hourly loss" which some have suggested.[1]

The cost and complexity of changing any aspect of poker machine software

Certain commentators have speculated that the cost of changes to gaming machines to introduce a $1 maximum bet, maximum $500 prize and a $20 'load-up' would be between $500 and $1,000 per machine. This is wrong.

Such commentators appear to ignore, or are unaware of, the cost of the approval process, which includes extensive testing (by both the gaming machine manufacturer and external, independent software testing laboratories) and submission of each game or machine for regulatory approval. Further, machine owners must be apprised of all aspects of new products before they will decide to invest in new games or machines.

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[1] Productivity Commission Inquiry into Gambling, public hearing 15 December 2009 transcript p.733

The Federal Government has cited "independent technical advice" that "upgrading machines for pre-commitment would cost around $2,000 per machine".[2]

GTA and others have advised that the cost of upgrading machines for pre-commitment would exceed $3 billion for gaming machines alone.[3] The Minister for Families, Housing, Community Services and Indigenous Affairs has been formally requested to forward the "independent technical advice" so that GTA members (who are directly responsible for making any changes to the game software in gaming machines) can determine the reason for this disparity. No response has been received to date.

At no stage (as far as GTA is aware) have the logistics of reconfiguring Australia's poker machines – for either mandatory pre-commitment or a $1 bet limit – been discussed in depth. Around 25,000 separate game versions are currently in the field and each would require redevelopment and re-submission for regulatory approval. The current rate of regulatory approvals is less than 2,000 annually.

Whether for a $1 Maximum Bet or for Mandatory Pre-Commitment, the costs of changing gaming machine software are about the same. Mandatory Pre-Commitment would additionally require the development and installation of large scale networks and related equipment, along with ongoing administrative support.

Where a machine is 3 years old or younger, the game software must be changed (the current cost of a game change averages $5,000). Where a machine is between 3 and 5 years old, hardware upgrades are needed to support the game software change (with a cost of $9,000 or more per machine). Where a machine is older than 5 years it has to be replaced, because software support is no longer available (the current cost of a new machine can exceed $25,000).

The current average age of machines in the field is around 8 years. 72% of Australia's 198,248 poker machines are located in NSW and Queensland, where collectively:
- 21% of the machines are 3 years old or younger, requiring a game change.
- 15% are between 3 and 5 years old, requiring additional hardware upgrades.
- 64% are older than 5 years and would have to be replaced.

The cost of an immediate reconfiguration of this inventory would exceed $2.5 billion.

The base software and the game of an average modern poker machine make up over one million lines of code, along with several million more for the operating system. Every line of gaming machine software, every component and every element of game mathematics and statistics must be submitted to independent licensed testing laboratories at significant cost; and then to jurisdictional regulators for approval before any game or machine can be sold and deployed to Clubs, Hotels or Casinos.

This development and supply process takes at least a year, sometimes several years. Once installed, every gaming machine is electronically monitored to ensure that it continues to operate according to its approvals.

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[2] Including in correspondence dated 7 December 2011 from Minister Macklin to GTA.

[3] Including in correspondence dated 11 August 2011 to Minister Macklin from Clubs Australia, the Australian Hotels Association, the Australasian Casino Association and the Gaming Technologies Association.

Items outlined in the Inquiry Terms of Reference

This submission addresses areas of the Terms of Reference upon which GTA believes the Committee would expect it to comment. Whilst GTA and its members have amassed vast experience in all matters surrounding gaming, many of the specific questions are more appropriately the domain of venues and their representative organisations. GTA would like to comment upon the following:

Use and display of responsible gambling messages

It is self-evident that for any message to be effective, it must be delivered to the player in a manner which maximises the likelihood of its being seen and understood.

Messages are only likely to be seen if they are displayed on the Game Play Screen.

Messages are far more likely to be noticed at a time when the player is most receptive to such information – which is *in between* reel spins and not *during* them.

Messages are more likely to be understood and acted upon if they relate to the player's current session activity.

Accordingly, it is self-evident that any display located other than on the Game Play Screen would be ineffective for the delivery of responsible gambling messages; that messages delivered by network-wide or venue-wide broadcast would be ineffective; and that messages of no direct relevance to the player would be ineffective.

Furthermore, it is unnecessary to identify the player in order to deliver effective responsible gambling messages. It is more timely and appropriate to provide any player with appropriate feedback if necessary, than it is to demand identification.

Data collection and evaluation issues

Gaming machines collect data of many types, primarily in order to provide players with information about the game and also to deliver financial information to Monitoring systems. However, the specification of information provided to Monitoring systems is inconsistent between jurisdictions.

Further, states and territories have recently sought to address problem gambling by requiring Original Equipment Manufacturers to include or exclude specific technical features, resulting in informal standards which are often imposed without notice and are specific to each jurisdiction. The impacts of these requirements on the complexity, effort and cost of developing games and machines range from small to significant.

These inconsistencies result in the supply of gaming machines being akin to supplying eight different countries, with massive duplicated development and administration burden for Original Equipment Manufacturers. Such inconsistencies impede progress.

The Commonwealth Government should lead a concerted and accountable endeavour to reduce red tape by minimising jurisdictional inconsistencies and maximising mutual standards. This would permit stakeholders to focus more directly on progress in areas such as tackling problem gambling.

Gambling policy research and evaluation

Gambling policy research and evaluation also suffers from jurisdictional inconsistencies.

Gambling research outcomes in Australia and abroad can be described as piecemeal and of questionable motives. Among those who apparently consider that this situation could be improved are the Productivity Commission[4], the Parliamentary Joint Select Committee on Gambling Reform itself[5] and even the Australian Greens[6].

GTA has previously indicated[7] that state and industry funding for gambling research could and should be better directed into a national fund to enable research oversight. This oversight could be provided by the National Health and Medical Research Council.

Conclusions

- It is wrong to say that that Australia's poker machines are "high intensity".

- It is wrong to say that certain changes to gaming machines including a $1 maximum bet would cost between $500 and $1,000 per machine.

- It is self-evident that for any message to be effective, it must be delivered to the player in a manner which maximises the likelihood of its being seen and understood.

- Informal standards are often imposed without notice and are specific to each jurisdiction. The Commonwealth Government should lead a concerted and accountable endeavour to reduce red tape by minimising jurisdictional inconsistencies and maximising mutual standards.

- State and industry funding for gambling research could and should be better directed into a national fund to enable research oversight.

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[4] Productivity Commission (2010) *Gambling Inquiry*, Report No. 50, p.18.1
[5] Parliamentary Joint Select Committee on Gambling Reform (2011) *First Report – The Design and Implementation of a Mandatory Pre-Commitment System for Electronic Gaming Machines*, Recommendation 11.
[6] Greens, *Problem Gambling and Health Discussion Paper*, December 2011, p.11
[7] GTA submission to Productivity Commission Gambling Inquiry, 31 March 2009, Recommendation 4, p.40