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**Submission to
Joint Select Committee on Gambling Reform**

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Introduction

The Gaming Technologies Association Limited ("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 members provide gaming technology and equipment to hospitality venues in over 300 jurisdictions worldwide, 8 of which are in Australia. GTA members include Ainsworth Game Technology, Aristocrat Technologies, Aruze Gaming Australia, IGT (Australia), Konami Australia and ShuffleMaster Australasia. All GTA members are public companies or part of a public company.

GTA members supplied almost all of the gaming machines currently operating in Australia. Members' primary focus is the development and supply of new games and gaming machines.

This submission provides information pertaining to the Joint Select Committee on Gambling Reform inquiry on "the design and implementation of a best practice full pre-commitments scheme that is uniform across all States and Territories and machines."¹

Disclosure

The author of this submission, Ross Ferrar, is a member of the Federal Ministerial Expert Advisory Group on Gambling. The views expressed in this submission reflect those of GTA and its members; and should not be construed as representing the Federal Ministerial Expert Advisory Group in any way.

The current operating environment

The demand for gaming machines in Australia is supplied by 5,700 venues operating 197,700 gaming machines. The number of machines per venue ranges from one to 2,500 and averages 35. Venue size, capacity and available resources vary considerably.

Many (perhaps most) of the smaller venues would not be in a position to support the financial investment or the operational demands of a 'full' pre-commitment system and would cease to provide gaming as part of their hospitality offering. Their existence would be threatened.

Daily revenue per machine ranges from less than \$45 and averages \$141. It is estimated that removing the gaming machine industry would reduce employment throughout Australia by 140,000 people and reduce gross domestic product by \$13.5 billion annually.²

The subject of the inquiry

A 'full' pre-commitment scheme requires "identification of all players (except for occasional gamblers making small bets), but with strict privacy arrangements" and "a system that applies to all machines and venues"³. It has been estimated that the cost of such a system would exceed \$2 billion⁴ but there has been no assessment of its benefits.

¹ From http://www.aph.gov.au/Senate/committee/gamblingreform_ctte/precommitment_scheme/info.htm

² Centre for International Economics, Mar-09 "The economic contribution of gaming machines to the Australian economy", page vi (provided to the Productivity Commission on 31-Mar-09)

³ Productivity Commission report, 26-Feb-10, page 10.1

⁴ Gaming Technologies Association, 18-Dec-09 submission to Productivity Commission, page 3

Such a system requires clear communication with the player via the game play screen; along with 'online' data communication between various network nodes. These circumstances do not currently exist and creating them requires (at least) software changes to every machine in each jurisdiction.

Attempts to bypass the game play screen will fail because (a) messages external to the game play screen are not noticed and (b) functionality of any devices external to the machine will be poor (particularly where the monitoring system does not support two-way data communications such as in NSW, or where there is no player card interface unit present).

The Process of Supplying Games and Machines

The supply process applies to new games or machines, as well as any changes to existing games or machines. Should the implementation of a pre-commitment scheme involve any changes to existing games or machines, the following sequential process will apply to all existing games and machines in Australia:

- a) Agreement of unambiguous functional specifications
- b) Agreement of technical specifications
- c) Design and development processes
- d) Internal Quality Assurance by the supplier
- e) Performance validation and compatibility assessment
- f) Compliance assessment and detailed submission development
- g) Supply of all aspects of the game or machine to test laboratory
- h) Supply of all aspects of the game or machine to each jurisdiction's regulator
- i) Regulatory evaluation and submission assessment
- j) Regulatory approval and presentation to the marketplace
- k) Monitoring connectivity assurance, installation and field support

The current status of the supply process in relation to the subject of the inquiry is that item (a) has not yet been addressed – and item (b) cannot proceed until (a) is completed.

Items (a) and (b) can take months or years, depending on the level of complexity involved, the impact of changes on existing inventory and any compatibility issues with existing systems, networks or other gaming equipment. Development and agreement of any specifications will require high-level technology expertise, at significant cost.

This overall supply process applies for every game or machine in each state or territory, some of which have multiple requirement sets. In all, there are 14 regulatory approval frameworks for each game and each machine type nationally – which requires a separate supply process for each. A uniform national standard would be helpful in addressing the duplication of approval processes.

Due to the age of a number of existing machines and increasingly short technology cycles, a single software update would be envisaged to be deployed as follows:

- 25% of existing machines updated with a software upgrade only (current models and some recent previous models);
- 25% of existing machines updated with a significant hardware (electronics) upgrade with new software (previous model upgrade to current model);
- 50% of existing machines would need to be replaced (all earlier obsolete models);

In addition to the above regulatory approval processes, gaming machine suppliers must ensure compliance with a range of national and international electrical safety and related requirements including electromagnetic compliance. Any post-supply physical or electrical change to any gaming machine may void electrical safety and related compliance and could compromise operational integrity.

External testing

Item (g) above refers to the supply of all aspects of the game or machine (under commercial confidentiality arrangements) to an test laboratory for assessment.

Gaming equipment test laboratories operate entirely independently of gaming machine suppliers and are licensed by each jurisdiction's regulator. Suppliers bear the cost of test laboratory assessments, which currently exceeds \$18 million annually. Assessments are provided directly to the respective regulators by the test laboratories. Assessments are duplicated to a large extent where approval for a game or machine is sought under more than one of the 14 regulatory approval frameworks in Australia.

Timing

Estimates for the implementation of full 'pre-commitment' systems have included from "over the next six years"⁵ to "commencing in 2014"⁶. 5,700 venues operate 197,700 gaming machines in Australia and the currently expected average replacement rate of these machines is between 10 and 15 years. Accordingly, timeframes such as those above require retrofitting much of the existing gaming machine inventory and replacement of the remainder.

Obtaining approval for game software can take between three months and three years (depending on the extent of dialogue between the supplier, test laboratory and regulator – and any amendments or additional requirements and consequent additional development during the process). Obtaining regulatory approval for game hardware typically takes three years. Given that approval must be obtained from each regulator, these durations will be repeated in each jurisdiction in which approval is sought.

Suppliers typically release a new model (hardware cabinet/software platform) every 4 to 5 years, largely due to changing technology. Any absence of regulatory harmony between jurisdictions will result in process complications which will lengthen lead times.

The above illustrates some of the complexities in estimating a schedule for implementation of full 'pre-commitment' systems. However, a separate independent analysis would be beneficial, based on (but not limited to) the following:

- Detailed current machine inventory to establish the scope of work and the precise extent to which existing hardware must be upgraded or replaced.
- Development of functional specifications to enable technical specifications to be created for all games and machines in order to establish software and hardware requirements.
- The resources required to conduct design, development, compatibility testing, quality assurance, external testing, submission for approval, presentation to venues and installation (among other matters) and the cost of those resources.
- The schedule within which implementation can reasonably occur.
- The financial capacity of venues to accommodate the cost of implementation.

⁵ Productivity Commission report, 26-Feb-10, page 3

⁶ Agreement of 2-Sep-10 between Prime Minister Gillard and Andrew Wilkie, Clause 7.5(a)

Comments on pre-commitment

GTA and its members agree that problem gambling “is an important issue which must be addressed”⁷.

GTA and its members are very concerned that issues cannot be addressed unless venues are financially viable and sustainable.

GTA believes that problem gambling can be addressed by providing all players with the opportunity to pre-commit expenditure or session time and to reinforce responsible gambling by providing instant feedback where appropriate. This objective can be met through implementing ‘responsible gaming machine play’ principles⁸ involving:

1. The opportunity to set a dollar limit at the commencement of every session of play⁹, thereby promoting responsible expenditure even when the opportunity is declined.
2. Intelligent, targeted instant messaging on the game play screen where appropriate in the context of play¹⁰, in order to encourage the player to remain mindful of their conduct.
3. Cost of play information on the game play screen within instant messaging.

Anonymous pre-commitment can be provided in accordance with the concept of entertainment, amenity, support and service for guests; and can address all classes of gambler by preceding all gaming machine activity. Reinforced with intelligent messaging, a minimum standard of anonymous pre-commitment may represent the best practice pre-commitment scheme for gaming machines.

Summary

It has been estimated that the cost of ‘full’ pre-commitment scheme systems would exceed \$2 billion but there has been no assessment of its benefits.

Creating the circumstances for ‘full’ pre-commitment requires (at least) software changes to every machine in each jurisdiction. A sequential supply process will apply to all new or existing games and machines in Australia. The first item in the supply process has not yet been addressed and can take months or years.

In all, there are 14 regulatory approval frameworks for each game and each machine type nationally – which requires a separate supply process for each. A uniform national standard would be helpful in addressing the duplication of approval processes.

5,700 venues operate 197,700 gaming machines in Australia and the currently expected average replacement rate of these machines is between 10 and 15 years.

A separate independent analysis would be beneficial in estimating a schedule for implementation of full ‘pre-commitment’ systems.

⁷ Agreement of 2-Sep-10 between Prime Minister Gillard and Andrew Wilkie, Clause 7.1

⁸ “Gaming Machine Information” and “Responsible Gaming Machine Play” at www.gamingta.com

¹¹ Session of play starts when credit meter becomes non-zero and ends when it returns to zero.

¹⁰ Targeted messaging such as “please wait” if buttons are pressed during the reel spin.