



ABN 70 060 130 770

Submission to
Victorian Department of Justice
Office of Gaming & Racing
on
Pre-commitment

20 September 2010

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Introduction

The Gaming Technologies Association ("GTA") is a not-for-profit organisation, 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 all of the gaming machines currently operating in Victoria. Members' primary focus is the development and supply of new games and gaming machines.

Executive Summary

GTA recognises and supports the government's objectives as outlined in the Premier's media release announcing new mechanisms giving players the option to pre-commit¹ and the Minister's media release calling for comment on the public consultation paper². However, GTA is concerned that operational examples of pre-commitment are rare, as is evidence to suggest that modifying – or even removing – gaming machines from a jurisdiction or even a venue will address problem gambling as intended.

Evidence from Norway

Norway is often cited as an example illustrating measures intended to address problem gambling. All slot machines were removed from Norway on 1 July 2007 and no machines were available for use for over one year. A significant study³ "found no change in the proportion of people with gambling problems in 2008 compared to 2007, despite the fact that all slot machines were removed from the market."

Validating implementation phases

Pre-commitment is a relatively untested measure. Whilst it may seem likely to some that problem gambling might in theory be addressed by implementing pre-commitment, the hospitality environment is complex in practice and players may well respond in unintended ways to such measures. GTA and its members urge caution in planning and executing the implementation of pre-commitment. In particular, GTA recommends careful validation to ensure that the phases of implementation achieve their objectives as they progress in order to avoid unintended consequences.

Phase One

The pre-commitment mechanism required to be implemented on next generation machines from 1 December 2010 should be an extension of the existing in-machine Player Information Display function, providing the information outlined in the draft regulations. Players should voluntarily pre-commit and changes should be implemented within each machine's software.

The prescribed next generation gaming machines that must from 1 December 2010 have a pre-commitment mechanism should be defined as outlined in the ***Criteria for a prescribed gaming machine*** section on page 6 of this submission.

¹ "New measures to combat problem gambling head-on", from the Premier, 25 March 2008

² "Have your say on pre-commitment", from the Minister for Gaming, 25 August 2010

³ "Gambling behaviour & gambling problems in Norway", SINTEF Report A8499, 6 November 2008, p3

Supply of Gaming Machines

The process of supplying gaming machines and games involves four distinct phases:

- Design and development
- Quality Assurance (conducted internally by GTA members) and Testing (conducted externally by accredited independent testing laboratories)
- Submission to regulatory authorities for approval
- Sales and Supply

All of the gaming machines operating in Victoria comply with a range of technical and operational standards and requirements. These include the Australian and New Zealand Gaming Machine National Standard ("GMNS") and its Victorian appendices.

In addition to the GMNS, all gaming machines must comply with further standards including EMC emission and immunity testing; Electrical Safety testing; and Climatic testing to various Australian standards. Further, within the GMNS regime gaming machines are tested for Magnetic Interference; Electro Static Discharge; and various transient and surge voltages within the legislated supply variations to which utility companies are required to comply.

Externally-derived hardware

GTA considers that any externally-derived pre-commitment mechanism will necessarily require communication to the gaming machine player through the game play screen. Accordingly, hardware for such a mechanism will require installation on the gaming machine, connection to a power supply within the gaming machine and potentially interfacing with software resident on the gaming machine.

Any additional hardware installed subsequent to the original supply of the machine will trigger a renewed testing and audit requirement of the machine's ongoing compliance with the standards outlined above.

This includes Equipment Compliance Requirement (ECR) specifications as determined by the Australian Communications and Media Authority, along with confirmation of ongoing operational compliance under the GMNS. The cost of such compliance testing is significant.

Specific questions

This submission is organised to reflect the specific questions posed in the Pre-commitment Consultation Paper.⁴

GTA's members have amassed broad knowledge and experience of the gaming industry over more than 50 years of supplying technologies and equipment to a diverse range of venues and organisations operating in a range of jurisdictions worldwide.

Whilst GTA and its members have developed informed views on all aspects of gaming, direct operational issues are properly the domain of venues and their representative organisations and GTA defers to those organisations on such topics.

⁴ Department of Justice "Pre-commitment 2010" Consultation Paper, page 28

Question 1: Costs and benefits

Specific question: *What are the types of costs and benefits of the draft regulations?*

The costs to gaming machine suppliers are difficult to ascertain at this time, because the functional and technical specifications of the final configuration are unknown. GTA members are concerned that research and development effort to ensure conformity with the final configuration might be duplicated as perceived functional needs change, creating unnecessary additional costs and time-to-market inefficiencies.

Question 2: Preferred options

Specific question: *Are the preferred options for the making of regulations for 2010 (the option to prescribe a pre-commitment mechanism and to prescribe gaming machines for the purpose of pre-commitment) suitable?*

The preferred options appear to be suitable; however, GTA's members seek further clarification on the criteria for deciding whether a gaming machine must implement pre-commitment.⁵

Software or hardware enhancements beyond protocol changes may be required to allow new games to operate on an approved platform or simply to maintain supply when certain components become obsolete – examples could be:

- Additional memory to allow for more complex graphics sequences.
- Hardware attachments specific to a game feature or theme such as specialised top boxes or mechanical or electrical displays.
- New peripherals such as bill acceptors or ticket printers requiring new software drivers.
- Higher speed CPUs for increased performance or due to end of life of the previously approved version which may also require updated software drivers.
- New video graphics cards and associated updated software drivers due to obsolescence or increased performance requirements for new games. Video graphics cards are frequently superseded.
- Obsolescence of display monitors leads to necessary changes that may include mechanical and software changes. For example, existing 19" 4:5 aspect ratio monitors might no longer be produced and would be replaced by widescreen 16:9 or 16:10 format monitors. This would lead to cabinet changes to accommodate the new format screen and software and electronics changes to drive the new aspect ratio. Both software drivers and graphical content would be affected.

All the above changes do not alter the basic approved hardware platform and should be regarded as enhancements or variants – either out of necessity due to obsolescence or for the purpose of implementing new games – that should not require the implementation of pre-commitment to be approved after 1 December 2010.

GTA's members observe that the usual practice worldwide for variations of standards is to set a date for submissions (ie: 1 December 2010) rather than approvals. GTA seeks confirmation that the 1 December 2010 deadline for machines not implementing pre-commitment is for submission or if the machines must be approved prior to this date.⁶

⁵ Refer page 17 of the Consultation Paper

⁶ As outlined in Section 4.4 on page 15 of the Consultation Paper

Question 3: More suitable options

Specific question: *Are there more suitable options to either prescribe a pre-commitment mechanism or prescribe gaming machines for the purpose of pre-commitment, having regard to the government's objectives and technological constraints?*

Criteria for a prescribed gaming machine

GTA's members propose that gaming machines should be prescribed for the purpose of pre-commitment on the basis of a truly different machine with different electronics and software (which are incompatible with any previous model). Criteria for a prescribed gaming machine for the purpose of pre-commitment could be:

- A different main processor board using a new processor incompatible with the previously approved type and requiring entirely new software together with:
 - An operating system incompatible with the previously approved version.
 - Incompatibility with all previously approved games.

Any gaming machine that does not have these characteristics and would allow previously approved games to operate on it would be treated as an enhancement to the existing platform.

Prescribing a pre-commitment mechanism

GTA accepts that the pre-commitment mechanism required to be implemented on next generation machines from 1 December 2010 should be an extension of the existing in-machine Player Information Display function, providing the information outlined in the draft regulations. However, GTA's members are concerned that the draft regulation prescribes the operation of the pre-commitment mechanism⁷ and GTA recommends that this is the subject of a separate standard under the auspices of the Office of Gaming and Racing in order to accommodate changes in requirements in a timely manner.

Question 4: Barriers

Specific question: *Do the preferred options (the option to prescribe a pre-commitment mechanism and to prescribe gaming machines for the purpose of pre-commitment) limit or create barriers to options for pre-commitment in 2013 and 2015-2016?*

The preferred options do not limit or create barriers to options for pre-commitment in 2013 or 2015-2016 for those machines deemed to be prescribed gaming machines.

However, there is concern that without clear final pre-commitment system functional and technical specifications, development carried out to implement pre-commitment on legacy machines due to customer demand in advance of the final mandatory adoption of pre-commitment for all gaming machines may result in a product that might not comply with the final specification.

This would result in additional costs and hardship for venues that had invested in such updates, only to find that they will have to upgrade to a new model machine. Manufacturers need details of how the final pre-commitment model will be implemented at the earliest possible time in order to develop product and advise customers of possible upgrade paths and to avoid wasted effort and financial loss.

⁷ Draft regulation, section 38B (b) and (c)

Question 5: Cost-effectiveness

Specific question: *Are the preferred options for the making of regulations for 2010 (the option to prescribe a pre-commitment mechanism and to prescribe gaming machines for the purpose of pre-commitment) cost-effective to implement?*

The options for the making of regulations may be cost effective to implement, but this should be assessed with the benefit of the overall final specification for pre-commitment in mind.

Question 6: Additional costs

Specific question: *What additional costs (such as design, development and testing costs) would be incurred by manufacturers if the draft regulations were made?*

Additional costs depend on a large number of factors including complexity of the final functional and technical specification, variety of requirements within Victoria, costs associated with development for other Australian and international jurisdictions and the extent to which such costs can be ameliorated in respect of development specific to Victoria, among others.

Question 7: Product development cycle

Specific question: *How would the draft regulations impact on the product (new gaming machine) development cycle?*

The draft regulations would have a medium impact on the development cycle of a new gaming machine. External factors associated with other jurisdictions will also impact on the new gaming machine development cycle.

Question 8: New gaming machine types

Specific question: *Would the draft regulations prevent gaming machine manufacturers supplying new gaming machine types to the Victorian market after 1 December 2010?*

GTA members estimate that a delay between three and six months would be incurred on the development of a new gaming machine. However, this time period would be dependent on market decisions to purchase new product incorporating a pre-commitment mechanism and a range of other factors. Other than these delays, the draft regulations would not prevent gaming machine manufacturers supplying new gaming machine types to the Victorian market after 1 December 2010.

Question 9: New gaming machine type submissions

Specific question: *How many gaming machine types do gaming machine manufacturers envisage submitting to the VCGR for approval on or after 1 December 2010 and until 30 November 2013?*

The number of gaming machine types submitted depends to a significant extent on market decisions to purchase new product incorporating a pre-commitment mechanism. In addition, recent national developments appear to involve major requirements of GTA members which will require the careful allocation of specialised skilled resources and affect the schedule of submission of new gaming machine types.

Question 10: New gaming machine type purchases

Specific question: *How many new gaming machine types do gaming operators or venue operators envisage purchasing from manufacturers after 1 December 2010 that will be required to have a pre-commitment mechanism?*

GTA's view is that this aspect of the supply chain depends largely on demand, which in turn will be affected by venues' commercial viability and most likely, various other factors. This matter is properly the domain of venues and their representative organisations.

Question 11: New industry participants

Specific question: *Will the draft regulations create additional barriers to entry that would otherwise prevent new industry participants?*

The draft regulations would not create additional barriers to entry for new participants, as the same regulations would apply to current industry participants.

Recommendations

GTA recommends the following:

Phase One

Players should voluntarily pre-commit and changes should be implemented within each machine's software.

Careful validation

Pre-commitment is a relatively untested measure. GTA recommends careful validation to ensure that the phases of implementation achieve their objectives as they progress in order to avoid unintended consequences. Subsequent phases should not proceed unless a previous phase can be demonstrated to have met its objectives.

Definition of a pre-commitment mechanism

The pre-commitment mechanism required to be implemented on next generation machines from 1 December 2010 should be an extension of the existing in-machine Player Information Display function, providing the information outlined in the draft regulations.

The operation of the pre-commitment mechanism should be the subject of a separate standard under the auspices of the Office of Gaming and Racing in order to accommodate changes in requirements in a timely manner.

Definition of next generation gaming machines

The prescribed next generation gaming machines that must from 1 December 2010 have a pre-commitment mechanism should be defined as outlined in the ***Criteria for a prescribed gaming machine*** section on page **6** of this submission.