



30 October 2012

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

*Re: Inquiry into the Poker Machine Harm Reduction  
(\$1 Bets and Other Measures) Bill 2012*

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

We understand that the Terms of Reference for this inquiry involves issues arising in the Bill which may be of relevance for our stakeholders.

This submission is intended to discuss the basis upon which the Bill appears to be predicated and its timeline for implementation among other matters.

GTA provides the following input to the Joint Select Committee:

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## **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, SHFL entertainment (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.

Any substantial changes to the poker machine software supplied by a GTA member must be implemented by that respective organisation.

## **The apparent basis of the draft Bill**

GTA would like to discuss the following matters related to the Bill.

### **Rates of Play**

The [Explanatory Memorandum](#)<sup>1</sup> indicates that the Productivity Commission, in its 2010 report on Gambling, noted that "on many machines commonly found in local communities a player could potentially lose around \$1,200 in a single hour". As GTA has previously advised the Committee, the hypothesis would more correctly be stated as a player could potentially spend \$295 in an hour<sup>2</sup>. The actual average hourly revenue of gaming machines in Australia is around \$10.91 or less than 1% of \$1,200.<sup>3</sup>

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<sup>4</sup>.

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<sup>1</sup> <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fbillhome%2Fs877%22>

<sup>2</sup> GTA discussion paper hourly expenditure May 2012, available under Answers to Questions on Notice number 6 at [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=gamblingreform\\_ctte/prevention\\_treatment/submissions.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=gamblingreform_ctte/prevention_treatment/submissions.htm)

<sup>3</sup> Productivity Commission Inquiry into Gambling, public hearing 15 December 2009 transcript p.733, available at <http://www.pc.gov.au/projects/inquiry/gambling-2009/public-hearings>

<sup>4</sup> GTA discussion paper maximum bet limits May 2012, available under Answers to Questions on Notice number 7 at [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=gamblingreform\\_ctte/prevention\\_treatment/submissions.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=gamblingreform_ctte/prevention_treatment/submissions.htm)

### **The Bill's limits**

The measures contained in the Bill limit maximum banknote denomination, cash input, maximum bet and maximum jackpot. The Explanatory Memorandum states that the purpose of the Bill is "to limit the rate of loss to the users of such machines". Yet this will not help every player if they regularly spend more than they can afford.

The issue is affordability, not quantity. A problem gambler who can afford to spend \$5 but spends \$10 is still a problem gambler. In that instance, the measures contained in the Bill will not assist them.

### **The complexity of poker machine software**

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.

Before any game or machine can be sold and deployed to Clubs, Hotels or Casinos every line of gaming machine software, every component and every element of game mathematics and statistics must be quality assured by the supplier; submitted to independent licensed testing laboratories at significant cost; and then submitted to jurisdictional regulators for approval. This applies equally to substantial changes to the poker machine software.

The measures contained in the Bill involve substantial changes to the software currently operating in every poker machine in Australia.

### **Timeline**

The development and supply process takes at least a year, sometimes several years, for one game as outlined in the attached supply flow chart, a version of which was provided to the Committee on 2 May 2012<sup>5</sup>. This process would apply to all gaming machines in Australia if the measures contained in the Bill were implemented.

Clearly this is not possible by 1 January 2013<sup>6</sup>. The remaining timeline is also highly ambitious.

Once installed, almost every gaming machine in Australia (except those currently operating in the ACT) is electronically monitored to ensure that it continues to operate according to its approvals.

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<sup>5</sup> GTA supply flow chart tabled 2 May 2012, available under Additional Information Received number 1 at [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=gamblingreform\\_ctte/prevention\\_treatment/submissions.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=gamblingreform_ctte/prevention_treatment/submissions.htm)

<sup>6</sup> Bill subclause 7 (1)

## **Cost**

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 Australia's poker machine inventory would exceed \$2.5 billion if it were possible. However, where changed functionality is incorporated into the design of future games along with any other developments rather than reconfiguring old games, the cost of reconfiguration would diminish commensurate with the implementation schedule.

## **Conclusions**

- The observations outlined in the Explanatory Memorandum are highly contentious as outlined above, which in turn raises serious questions regarding the basis of the Bill.
- The measures contained in the Bill involve substantial changes to the software currently operating in every poker machine in Australia.
- The development and supply process takes at least a year for one game.
- This process would apply to all gaming machines in Australia if the measures contained in the Bill were implemented.
- The cost of an immediate reconfiguration of Australia's poker machine inventory would exceed \$2.5 billion if it were possible.

**Appendix: game supply flow chart**

