Joint Select Committee on Gambling Reform
Further Supplementary Submission by
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Low-risk electronic gambling machines – parameter settings

We wish to make a further brief submission arising from our concern that our recent supplementary submission, designed to illustrate the potential for a hybrid or low-risk high-risk dual-stream model for mandatory pre-commitment, may have implied an inappropriate floor for the key parameter values of maximum bet and maximum prize on low-risk electronic gambling machines (EGMS).

In this previous submission, we described low impact EGMs with a possible maximum bet of $0.50 and a maximum prize of $500, which could be used without the necessity to utilise a pre-commitment system.

It was not our intention to nominate these levels as the most appropriate for these key parameter value settings. In the context of providing safe EGMs, these may quite reasonably be better set at a lower level. In fact, debate on appropriate parameter values for designing a low risk gaming machine option for Australian social venues should canvas all options.

In the context of such a debate, we reviewed our own research in South Australia, conducted for the South Australian Independent Gaming Authority (Livingstone, Woolley et al 2008). In this study we found the average bet on popular low credit value (i.e., 1 and 2 cent) EGMs to be between 33 cents and 79 cents per spin. This means many gamblers bet at considerably higher levels, around $1 per spin, even on these low credit value machines. Gambling at this level makes average losses of $120 or more per hour likely for many users. As these broadly popular EGMs were also popular amongst problem gamblers in our study, there remains a considerable risk of financial harm for problem gamblers if losses can be sustained at such a rate. It is thus important to ensure that parameter values on low risk machines would be set at levels where harm was very unlikely to occur.

A maximum bet of $0.20 with a maximum prize of $250 would reduce average losses per hour to $22 – assuming 18 spins per minute. In contrast, maximum bets of $0.50 per spin would lead to a maximum loss rate in the range of $54 per hour at an average of 18 spins per minute.

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There are two points we would like to emphasise via this further supplementary submission.

Firstly, the average hourly cost of EGM use is subject to the volatility inherent to EGM games. The basis for calculating the cost per hour of EGM use is:

$C_h = R_s \times B_m \times 60 \times (1\text{-}TRTP)$

Where C_h = hourly cost, R_s = Spins per minute, B_m = maximum bet and TRTP = theoretical return to player.

However, particularly in games with high maximum prizes, the distribution of results is skewed by the relatively small number of large wins, such that the most common outcome is a much higher rate of expenditure per hour than average. This is why many regular gamblers report losing all their money very often when using EGMs. Reducing maximum prizes reduces the skew and means that conformity to the theoretical return to player will be achieved in a shorter time period. Current EGM games operating in Australia are unlikely to achieve close conformity to RTP over periods of operation less than one million spins or more.

Secondly, the level at which EGM game parameters should be set requires consideration of the extent to which problem gamblers or those in higher risk categories make use of low-risk EGM games. Higher risk gamblers are likely to use maximum bets much more commonly than entertainment gamblers, even at low-risk parameter settings. This means such settings must be set at genuinely low-risk values. Introduction of low-risk games using a phase-in period (as we outlined in our earlier supplementary submission) would permit research to focus on this issue and guide the implementation of low-risk games.

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