

Approved Trading System for Gaming Machine Entitlements

Market Statement

Disclaimer: Although all reasonable care has been taken in preparing and compiling this market statement, it is intended to provide general information and guidance only, and does not constitute legal advice. No warranty, express or implied, is given as to the completeness, correctness, accuracy, reliability or currency of the information contained in this statement. This statement may refer to legislation that has been amended or repealed, and/or Government policy that has subsequently changed. When considering this statement you should always inform yourself about the current applicable laws and policies, and you should seek your own legal, financial and other advice before deciding whether to buy or sell gaming machine entitlements or making other related decisions.

The Crown in the right of the State of South Australia does not accept any responsibility, and will not be held liable to any recipient of the information, for any loss or damage, however caused and whether in whole or in part, which may be directly or indirectly suffered as a consequence of the use of this document.

1. Preamble

The *Gaming Machines Act 1992* was amended in July 2011 to remove the fixed price for gaming machine entitlements. Regulations for a new approved trading system for gaming machine entitlements were introduced in July 2011 and the Liquor and Gambling Commissioner has announced a trading round. Future trading rounds can be initiated by either the Liquor and Gambling Commissioner, or the Minister for Business Services and Consumers can direct the Commissioner to establish a trading round.

Under the new approved trading system:

- buyers will be able to specify the maximum price they are willing to pay per gaming machine entitlements; and
- sellers will be able to specify the minimum price they are willing to receive per gaming machine entitlement.

This market statement informs potential buyers and sellers about existing policy developments that may affect a decision to buy or sell gaming machine entitlements. This statement also includes confirmation of existing Government policy that may impact a decision to buy or sell a gaming machine entitlement. This market statement does not introduce any new Government policies.

2. Policy developments potentially affecting trade in gaming machine entitlements

At the time of the release of this market statement, it is understood that a number of significant gambling reform initiatives are underway nationally.

The Council of Australian Governments established the Select Council on Gambling Reform to progress the implementation of a pre-commitment system that would assist gaming machine players to better adhere to their budgets. The Select Council on Gambling Reform is also focusing on the display of dynamic warning messages on electronic gaming machine screens, as well as gaming venue ATM withdrawal limits.

On 27 May 2011 the South Australian Government announced that it was prepared to consider, as a first step, the mandatory availability of pre-commitment on gaming machines and the voluntary registration of players. At the time, the Minister considered that implementation of pre-commitment on gaming machines by 1 July 2014 would be a reasonable, with exemptions until 2018 for venues with less than 15 gaming machines.

On 21 January 2012 the Prime Minister announced that the Commonwealth Government is pursuing the expansion of pre-commitment technology to every electronic gaming machine. The Commonwealth intends to require all new gaming machines manufactured from 2013 to be capable of supporting pre-commitment, and by 31 December 2016 the Commonwealth intends that all gaming machines would be part of a state linked pre-commitment system, except eligible small venues which would have longer.

The Prime Minister also announced that the Commonwealth is intending to undertake a large scale trial of mandatory pre-commitment, and that mandatory pre-commitment may be implemented nationally if supported by the trial results.

Dynamic warning messages refer to the display of real time information on the gaming machine, for example cost of play. The Prime Minister announced on 21 January 2012 that the Commonwealth Government is proposing to require gaming machines to have the functionality to display dynamic warning messages and cost of play on the electronic gaming machine's main screen by 31 December 2016.

It is understood that the Commonwealth Government is currently working on legislation to implement these changes. In South Australia, it is understood that implementation of these changes may require replacement of older gaming machines, upgrades to newer gaming machines and a replacement of the Independent Gaming Corporation's gaming machine protocol. Eligible small venues will have more time to implement the changes.

Section 51B of the *Gaming Machines Act 1992* limits cash withdrawals from cash facilities located at gaming venues to \$200 per transaction, or as otherwise approved by the Liquor and Gambling Commissioner. The Prime Minister announced that the Commonwealth Government is proposing to introduce a \$250 daily withdrawal limit from ATMs in gaming venues (excluding casinos) by 1 February 2013.

It is also understood that the Commonwealth is taking other actions including improving training for gaming venue staff.

While not on the immediate agenda, the Select Council on Gambling Reform may also address other Productivity Commission Recommendations, such as:

- display of gambling warnings in venues;
- new capabilities for electronic gaming machines, for example a lower maximum bet, and reform of national gaming machine standards; and
- payment of large gaming machine prizes by cheque or direct credit to the gaming machine player's account.

The Adelaide Casino's exclusivity period expires on 30 June 2015. While the Adelaide Casino cannot currently participate in the approved trading system, it is not possible to confirm that this would or would not be the case in the future.

3. Confirmation of existing Government policy

The *Gaming Machines Act 1992* states Parliament's intent with respect to gaming machine numbers and taxation rates.

Section 27E of the *Gaming Machines Act 1992* confirms that it is not intended to further reduce the number of gaming machines, beyond the one-in-four forfeiture of gaming machine entitlements traded from the for-profit sector, before 30 June 2014. The one-in-four forfeiture of entitlements means that, for every four entitlements sold from the for-profit sector, three are transferred to purchasers and one is cancelled, until the Government's objective of a 3,000 reduction in gaming machines is achieved.

It is intended that the pricing impact of the forfeiture of entitlements will remain when the Government's objective has been achieved. This means that the purchaser price would continue to be $1\frac{1}{3}$ times the vendor price. Any additional funds collected would be allocated to the Gamblers' Rehabilitation Fund, as is currently the case with any excess funds from the approved trading system.

Section 71A of the *Gaming Machines Act 1992* provides for a moratorium on taxation rates. The Government does not intend to increase the rates of gaming tax under the *Gaming Machines Act 1992* before 30 June 2014.