



**Government of South Australia**

Office of the Liquor and Gambling  
Commissioner





**Government of South Australia**

Office of the Liquor and Gambling  
Commissioner

**Liquor Regulation  
Gambling Regulation  
Casino Regulation  
Wagering Regulation  
Lottery Regulation**

9th Floor, East Wing  
50 Grenfell Street  
Adelaide SA 5000

GPO Box 2169  
Adelaide SA 5001  
DX 363

Tel 08 8226 8410  
Fax 08 8226 8512

Email [olgc@agd.sa.gov.au](mailto:olgc@agd.sa.gov.au)  
[www.olgc.sa.gov.au](http://www.olgc.sa.gov.au)

The Honourable Michael Wright MP  
Minister for Gambling  
Level 11, Zurich House  
50 Grenfell Street  
ADELAIDE SA 5000

16 September 2005

Dear Minister

Pursuant to section 74(2) of the *Gaming Machines Act 1992*, I submit this Annual Report on the administration of the Act for the financial year ended 30 June 2005.

Yours faithfully

A handwritten signature in black ink, consisting of several sweeping, connected strokes.

**W.A. PRYOR**  
**LIQUOR AND GAMBLING COMMISSIONER**

# CONTENTS

<b>1.</b>	<b>INTRODUCTION.....</b>	<b>3</b>
<b>2.</b>	<b>LEGISLATIVE AMENDMENTS.....</b>	<b>4</b>
2.1	Gaming Machines (Miscellaneous) Amendment Act 2004.....	4
2.2	Gaming Machines Regulations 2005.....	7
2.2.1	Approved Trading System.....	7
2.2.2	Retention of Gaming Machines (Regulation 12).....	10
<b>3.</b>	<b>TRADING ROUND.....</b>	<b>11</b>
<b>4.</b>	<b>REMOVAL OF MACHINES.....</b>	<b>13</b>
<b>5.</b>	<b>GAMING LICENCES.....</b>	<b>14</b>
5.1	Gaming machine licences.....	14
5.2	Gaming machine monitor licence.....	14
5.2.1	Monitoring system.....	14
5.2.2	System upgrade.....	14
5.2.3	Secure internet based customer reporting facility.....	14
5.2.4	Information data port.....	15
5.2.5	Fees.....	15
5.2.6	Gamblers' Rehabilitation Fund.....	15
5.2.7	Board members.....	15
5.3	Gaming machine supplier's licence.....	15
5.4	Gaming machine service licence.....	16
5.5	Gaming machine dealer's licence.....	16
<b>6.</b>	<b>APPROVAL OF PERSONS.....</b>	<b>17</b>
6.1	Applications for approval.....	17
6.1.1	Applications refused.....	17
6.1.2	Approvals revoked.....	17
<b>7.</b>	<b>MONITORING AND COMPLIANCE.....</b>	<b>18</b>
7.1	Gaming machine venues (hotels and clubs).....	18
7.1.1	Inspections.....	18
7.1.2	Breaches.....	19
7.1.3	Trends.....	19
7.2	Monitoring system.....	22
<b>8.</b>	<b>COMPLAINT INVESTIGATIONS.....</b>	<b>23</b>
8.1	Summary of complaints.....	23
8.2	Payout disputes and malfunctions.....	24
<b>9.</b>	<b>DISCIPLINARY ACTION.....</b>	<b>25</b>
9.1	Summary of disciplinary notices issued.....	25
9.2	Summary of disciplinary action taken.....	26
<b>10.</b>	<b>APPROVALS OF GAMES AND MACHINES.....</b>	<b>29</b>
10.1	Testing and Evaluation of Gaming Machines.....	29
10.2	National Standard for Gaming Machines.....	29
10.3	Approval of Games.....	30
10.3.1	IGA Game Approval Guidelines - Rate of Play.....	30

<b>11.</b>	<b>BARRING.....</b>	<b>32</b>
11.1	Barring under section 59 of the Gaming Machines Act 1992.....	32
11.2	Voluntary barring under Independent Gambling Authority Act 1995.....	32
11.3	Compliance.....	32
<b>12.</b>	<b>GAMING TAX.....</b>	<b>33</b>
12.1	Rates.....	33
12.2	Distribution of NGR.....	33
12.3	Non payment of gaming tax.....	34
12.4	Refunds.....	34
12.5	Stamp Duties (Gaming Machine Surcharge) Amendment Act 2002.....	34
<b>13.</b>	<b>ORGANISATION.....</b>	<b>35</b>
13.1	Organisation structure.....	35
13.2	Staffing.....	35
13.3	Budget Information.....	35
<b>14.</b>	<b>THANKS.....</b>	<b>35</b>
<b>15.</b>	<b>STATISTICS.....</b>	<b>36</b>
Table 1	Monthly gaming statistics 2004-05.....	36
Chart 1	Gaming tax levied per month 2004-05.....	36
Table 2	Monthly gaming machine and venue installations 2004-05.....	37
Chart 2	Monthly gaming machine and venue installations 2004-05.....	37
Table 3	Data by ABS Local Government Area (LGA) 2004-05.....	38
Table 4	Net Gambling Revenue - 2001 to 2005.....	39
Table 5	Gaming tax - 2001 to 2005.....	39
Table 6	Average net gambling revenue per machine per day - 2001 to 2005.....	39
Table 7	Average total net gambling revenue per day type - 2001 to 2005.....	39
Table 8	Return to player - 2001 to 2005.....	40
Chart 3	Average return to player % - 6 monthly since commencement of gaming.....	40
Table 9	Live venues and machines - 2001 to 2005.....	41
Table 10	Number of clubs by machine range - 2001 to 2005.....	41
Table 11	Number of hotels by machine range - 2001 to 2005.....	41
Table 12	Gaming venues by business type - 2001 to 2005.....	41
Table 13	Gaming machines by business type - 2001 to 2005.....	42
Chart 4	Growth in gaming venues.....	42
Chart 5	Growth in gaming machines installed.....	42
Table 14	Average growth in operating machines - 2001 to 2005.....	43
Table 15	Manufacturer's share of gaming machine market - 2001 to 2005.....	43
Chart 6	Impact of harm minimisation measures on net gambling revenue.....	43
<b>16.</b>	<b>ORGANISATION CHART.....</b>	<b>45</b>
<b>17.</b>	<b>CONTACTS.....</b>	<b>46</b>

---

# 1. INTRODUCTION

The Liquor and Gambling Commissioner is responsible for the administration of the *Gaming Machines Act 1992*. The Commissioner is responsible for regulating and monitoring the gaming industry to ensure the interests of patrons, the industry, the community and the Government are protected.

Section 5 of the Act provides that the Commissioner is responsible to the Independent Gambling Authority for the constant scrutiny of the operations under all licences under the Act.

The Act establishes a structure in which all industry participants are licensed or approved to carry out specific roles in relation to the gaming machine industry in South Australia.

The Commissioner is responsible for various functions including:

- determination of all applications for licences under the Act;
- approval of persons in a position of authority, gaming machine managers, and gaming machine employees;
- approval of agents of the State Supply Board;
- approval of gaming machines, games and the central monitoring system;
- approval of the number of machines per licensed premises and authorised hours of operation;
- collection of gaming tax;
- inspection, monitoring and scrutiny of gaming operations;
- disciplinary action against licensees including the power to reprimand, suspend or revoke a licence, vary or add to the conditions of the licence, cancel machine entitlements or imposing a fine not exceeding \$15,000;
- review of barring of persons by licensees.

---

## 2. LEGISLATIVE AMENDMENTS

### 2.1 ***GAMING MACHINES (MISCELLANEOUS) AMENDMENT ACT 2004.***

The *Gaming Machines Act 1992* was amended in 2004-05 by the *GAMING MACHINES (MISCELLANEOUS) AMENDMENT ACT 2004*.

The *Gaming Machines (Miscellaneous) Amendment Bill 2004* was introduced by the Government in response to the Independent Gambling Authority's report on the inquiry into gaming machine numbers.

The Bill gave effect to the recommendations made by the Authority to reduce the number of gaming machines operating in the State and to introduce a trading system for gaming machine entitlements. The Bill also included a number of other miscellaneous technical amendments to the Act.

The majority of the amendments came into effect on 1 February 2005.

#### ***Gaming Machine Entitlements***

A new instrument called a "gaming machine entitlement" was established. One gaming machine entitlement entitles the holder of a gaming machine licence to operate one gaming machine. To operate machines it is now necessary to hold a gaming machine licence and then separately to hold gaming machine entitlements under that licence equivalent to the number of machines to be operated. The maximum number of machines that can be operated remains at 40.

All gaming machine licences in operation on the proclamation date of 1 February 2005 were allocated entitlements.

To effect the reduction in machines operating in the State, profit organisations (i.e. hotels) were issued a number of entitlements in accordance with the following formula:

- Venues with an approved number of 28 or more received entitlements of 8 less than the approved number;
- Venues with an approved number of 21 to 27 received 20 entitlements;
- Venues with an approved number of 20 or less received entitlements equivalent to the approved number.

Non-profit associations (clubs and community hotels) suffered no loss and received the number of entitlements equivalent to the number approved.

The issuance of entitlements in accordance with the formula resulted in a reduction of 2168 machines able to be operated in the State. To achieve a total of 3000 machines to be reduced from the State, the remaining 832 machines are to be removed through the trading system (see below) where 25% of entitlements sold by profit-organisations are relinquished to the Crown.

The provisions of the Act which make it an offence for a licensee to operate more gaming machines than the number of entitlements held, commenced on 1 July 2005. Hence the excess machines were not required to be removed until 1 July 2005. The removal of the excess machines is explained in Section 4.

#### ***Freeze Lifted***

The effect of the reduction formula is to introduce a State wide cap on machine numbers. The freeze on granting new licences or increases in the approved number of machines was lifted. However, there is no power for the Commissioner to allocate entitlements on the grant of a new licence or as a result of an increase to the approved number.

#### ***New Licences - Social Effect Test***

The legislation also provides that in determining an application for any new gaming machine licence, the Commissioner must have regard to the likely social effect of the grant of the licence on the local community and, in particular, the likely effect on problem gambling within the local community. The Commissioner must take into consideration any guidelines issued by the Independent Gambling Authority.

---

The Commissioner must not have regard to the economic effect that the granting of the licence might have on the business of other licensed premises in the relevant locality (except in so far as that economic effect may be relevant to an assessment of the likely social effect of the grant of the licence on the local community).

As at the time of this report, the Authority had not issued any guidelines and no licences were granted in 2004-05 which were subject to this new requirement.

While not a specific requirement under the new legislation, the Commissioner has decided to exercise his discretion to apply the same test to certain applications for increases to the approved number of machines.

Where the Commissioner deems that the increase is substantial, the Commissioner will direct that the application be advertised and subject to the social effect test.

### ***Transferring/Acquiring Entitlements***

Entitlements can only be transferred or acquired as follows:

- entitlements may be bought or sold through the trade system;
- a non-profit association may transfer entitlements to another non-profit association under an arrangement approved by the Commissioner;
- a non-profit association may transfer entitlements to Club One under an arrangement approved by the Commissioner;
- entitlements may be transferred to the transferee at the time a gaming machine licence is transferred.

### ***Trading System***

The legislation allows licensees to buy or sell gaming machine entitlements through a trading system established by regulations. Full details of the trade system are explained below at Section 2.2.1.

### ***Club One***

The legislation provided for a single special purpose non-profit entity referred to as 'Club One'. This entity is to be granted the "special club licence" if it satisfies the Commissioner that it is representative of a substantial number of clubs in the State and that it has available to it, the appropriate skills and expertise to operate gaming machines and conduct a gaming machine business.

The special club licence authorises the licensee to possess approved gaming machines and to operate them on premises in respect of which someone else holds a gaming machine licence as agent of the holder of the gaming machine licence.

The possible functions of Club One will be to:

- offer services to club venues (e.g. management expertise, consulting services);
- place gaming machine entitlements in existing clubs and hotel venues;
- establish and operate gaming machine venues in its own right (subject to the same approval process that applies to any other new gaming machine licence).

Club One can obtain entitlements in three ways. Under the trade system, 25% of all entitlements offered for sale by non-profit associations will be transferred to Club One. Alternatively, Club One can purchase entitlements in the trade. Non-profit associations can also transfer entitlements to Club One under an arrangement approved by the Commissioner.

An application for the Special Club Licence was lodged by Club One (SA) Ltd on 17 March 2005. At the time of this report, the application had not yet been determined.

### ***Gambler's Rehabilitation Fund***

An amendment to the Act formally established the Gambler's Rehabilitation Fund. The fund which has been in existence since gaming machines were introduced into hotels and clubs in 1994, was originally created from voluntary contributions from the hotel and club industry through monitoring fees paid to the Independent Gaming Corporation (IGC). The fund was administered through the Department of Human Services and is now through the Department for Families and Communities. The Government has made (non-legislated) contributions

---

to the fund in past years but the Act now provides that \$3.845 million from gaming taxes be allocated to the fund in addition to any contributions from the industry.

### ***Guidelines***

The Act provides for the Independent Gambling Authority to make guidelines on approving games and machines and in relation to the social effect test.

An amendment was made to make any guidelines issued by the Authority, disallowable instruments under the *Subordinate Legislation Act 1978*. This means that the guidelines must be laid before Parliament. The amendment was retrospective and applies to any guidelines already issued by the Authority (i.e. guidelines in respect of games and machines).

### ***Compensation***

The Act provides that no compensation is payable to licensees as a result of the compulsory reduction in gaming machines able to be operated by licensees.

### ***Parliamentary Intentions***

Two provisions were included which stated the intention of Parliament that the rates on gaming machine tax would not be increased and that no further reductions to gaming machine numbers would be made before 30 June 2014.

### ***Technical Amendments***

A number of amendments to the *Gaming Machines Act 1992* were incorporated into the amending Act which in the main, rectified some inconsistencies between the *Liquor Licensing Act 1997* and the *Gaming Machines Act 1992*.

They are summarised as follows:

- new provision to enable the Commissioner to make interim or conditional decisions and accept undertakings from parties in granting of applications (consistent with an amendment to the *Liquor Licensing Act 1997*;
- provide for a mirroring provision to section 73 and 74 of the *Liquor Licensing Act 1997*; to allow a receiver/manager or landlord in possession to carry on the gaming operations;
- amendment to section 30 to include a provision mirroring section 77(3) of the *Liquor Licensing Act 1997* to allow objections to an application made under Part 3 to be accepted out of time at the discretion of the Commissioner;
- amendment to Part 4 to include a provision giving the Commissioner discretion to direct advertising of certain applications made under Part 4 and to allow for a person to lodge objections in respect of applications advertised under Part 4;
- amendment to section 82 to mirror section 136(2) of the *Liquor Licensing Act 1997* to provide for a method of service of notices to persons other than licensees;
- strengthening provisions relating to the recovery of gaming tax to allow the Commissioner to suspend gaming operations upon non-payment of gaming tax;
- new provision to allow the Commissioner to give specific directions in relation to the security of gaming machines or gaming equipment;
- amendment of the disciplinary provision (section 36) to allow the Commissioner to impose fines and cancel entitlements;
- amendment of section 85 to include a provision mirroring section 134(3) of the *Liquor Licensing Act 1997* to provide that disciplinary action can also be taken against a person occupying a position of authority in a trust or corporate entity;
- amendment of various sections under Part 5 - Offences to provide that a penalty may be imposed upon both the offender and the licensee;



- amendment of the definition of “approved gaming machine manager” in section 3 to deem a licensee as an approved gaming machine manager to ensure that sole trader or partnership licensees are subject to the same requirements as other licensees;
- amendment of section 69 to be consistent with the *Liquor Licensing Act 1997* to give a party to proceedings the right of review;
- remove the State Supply Board as the holder of the Gaming Machine Service Licence and allow for technicians to be licensed in their own right.

The amendments relating to the removal of the State Supply Board as the sole service licence holder have yet to be proclaimed. It is expected that these provisions will be enacted in 2006 when the current service agent agreements between the State Supply Board and its service agents expire.

## **2.2 GAMING MACHINES REGULATIONS 2005**

The *Gaming Machines Regulations 2005* commenced on 31 March 2005.

### **2.2.1 Approved Trading System**

Section 27B(2) and (3) of the *Gaming Machines Act* provides for the gaming machine entitlements trading system to be established by regulations. The approved trade system is set out under regulation 14.

The operation of the trading system as provided for under Regulation 14 is summarised as follows:

- A trading round can be initiated by the Commissioner at any time via a public notice detailing the date of the trade and the closing date for applications;
- Applicants will be required to fill out an application form, nominating the number of entitlements they wish to buy or sell. An application fee set by the Commissioner is applied to buy entitlements but no fee applies for the sale of entitlements;
- For applications to sell, where a licence is operated under a lease agreement or is the subject of an equitable charge over the assets of the business which may include entitlements, the application must also be accompanied by evidence that the licensee has the right to sell i.e. that landlord or mortgagee consent has been given (if required) or that a determination has been made by the District Court;
- A person who is eligible to purchase entitlements is a person who currently holds a gaming machine licence which has an approved number of machines greater than or equal to the number of entitlements currently held plus the number the licensee has sought to purchase;
- Buyers of entitlements will pay a set \$50,000 (plus GST) per entitlement and are required to pay for entitlements within 14 days of the trading round being completed;
- Once the total proceeds have been received from all buyers, sellers of entitlements will receive (per entitlement sold) a proportion of the gross proceeds divided by the total number of entitlements sold and withheld.

For example: The total number of entitlements offered for sale by all applicants is 100. 25 entitlements are withheld, leaving 75 in the pool to be allocated to the applicants to purchase. All 75 entitlements are sold. Therefore (ignoring GST) buyers pay a total of  $\$50,000 \times 75 = \$3,750,000$

This is allocated to the 100 entitlements offered for sale.

Sellers receive  $\$3,750,000$  divided by 100 = \$37,500 per entitlement

- Entitlements purchased will vest with purchasers on a date fixed by the Commissioner which is no later than 42 days after the trade;
- Applications to buy and sell entitlements are matched through a ‘pooling system’. The Government achieves its statutory objective of reducing the number of machines operating in the State by withholding 25% of entitlements from the sale pool.

The 25% of entitlements offered for sale that are withheld, are either cancelled or are transferred to the holder of the special club licence - Club One.

The number of entitlements that are cancelled or transferred to Club One depends on the proportion of entitlements offered for sale by licensees who are profit entities (such as hotels) or non-profit associations

---

(such as clubs and community hotels). The proportion that comes from hotels will be cancelled from the system and the proportion that comes from non-profit associations will be transferred to Club One.

The cancellation of entitlements (i.e. the proportion withheld from hotels) through the trade system will continue until the target of 3000 is met. After that time it is expected that a commission will be payable on sale.

### ***The 'Pooling System'***

After withholding 25% of entitlements, the remainder is then matched using the following mechanism:

#### ***Pool Available for Sale***

There are three possibilities which may occur in the trade. First, there may be an exact match between the number of entitlements available for sale and the number of entitlements sought by purchasers. Second, there may be insufficient entitlements offered for sale to satisfy all offers to purchase (i.e. more offers to buy than sell). Third, there may be an over supply of entitlements offered for sale (more offers to sell than to buy). Depending on which scenario occurs, a different process will be applied.

Whichever scenario occurs, the pool must take into account that 25% of entitlements are to be withheld.

#### ***Scenario 1 – Exact Match (75% of Entitlements Offered for Sale = Entitlements Sought by Purchasers)***

All sellers and buyers are fully satisfied (and 25% are withheld).

For example: There were 100 entitlements for sale. 25 are withheld leaving 75 to be allocated. That exactly matches the 75 requested to be purchased. All buyers and sellers are satisfied and 25% are withheld.

#### ***Scenario 2 - Under Supply of Entitlements (More offers to buy than sell)***

For example: The total number of entitlements offered for sale by all applicants is again 100. 25 entitlements are withheld from the pool, leaving 75 to be allocated to all offers to purchase entitlements. Assume that this time there are applications to purchase 185 entitlements.

For the first trading round, allocations to buyers will be made using 3 priority groups:

**First priority** will be given to those licensees who lost more than 20% as a result of the legislated compulsory gaming machine reduction formula. Priority will stop once that licensee has received enough entitlements to bring the loss back to 20% or less.

**Second priority** will be given to any licensee required to reduce numbers under the new legislation.

**Third priority** will be given to any other licensee, including new gaming machine licences and licensees that are non-profit associations. Applicants that are non-profit associations such as clubs and community hotels will not be included in the first or second priorities since they did not suffer a reduction in machine numbers.

As there will be insufficient entitlements to satisfy all offers to purchase in this situation, applicants may not necessarily receive the total number of entitlements they applied for and some may not receive any entitlements, particularly if they fall in the third priority group.

#### ***Entitlements are allocated equally***

One entitlement will be allocated to each applicant within the priority group until each applicant has received one. A second entitlement will then be allocated to each applicant that has priority for two or more and so on.

Starting with the first priority group, if each applicant is able to be satisfied in full, the remaining entitlements will then will be allocated to the next priority group. If there are insufficient entitlements to satisfy the group, a random ballot will be conducted.

#### ***Future Rounds***

In the second and third trading rounds a new First Priority group will be created for those applicants who missed out in a ballot conducted in the previous round. These applicants will be given the highest priority for one entitlement only (assuming they make application to purchase in the next round).

This priority system will be used for trading rounds in the first 2 years or three trading rounds, whichever is the longer. After that all applications will be treated equally.

**Scenario 3 - Oversupply of Entitlements (More offers to sell than buy)**

For example: There are 100 entitlements offered for sale and there are 60 entitlements sought by purchasers. Reducing the original offers by 25% (withheld) will mean that there is still an excess of entitlements offered for sale over those sought by purchasers. i.e. 75 is greater than 60.

The number of entitlements offered for sale is reduced to the point where the number of entitlements sought by purchasers (in this example 60) is equivalent to 75% of the entitlements offered for sale. In this example that number is 80 (i.e. 60 divided by 0.75).

In determining which entitlements are accepted into the trade, **first priority** will be given to any applicant wishing to sell all of their entitlements. **Second priority** will be given to all other applicants (i.e. those wishing to sell only some of their entitlements).

For this second priority group the equality allocation process will again apply in that one entitlement from each applicant offering to sell will be excluded from the sale pool and then another and so on until they can not be excluded equally. A random ballot will then be used to determine who sells the remaining entitlements.

If it is necessary to use only some of the entitlements from the first priority group (i.e. applicants selling all of their entitlements) this will be done by randomly selecting from applicants in this group (that is some applicants will sell and some will not). In these circumstances, applicants will not be forced to sell only a part of their entitlements.

### Summary of Priorities for the First Trading Round

More Offers to Buy than Sell		
Priority to Buy	Priority Group 1	Licensees who lost more than 20% of machines in the reduction (up to the point where the reduction is reduced to 20% or less)
	Priority Group 2	Licensees who lost any machines in the reduction
	Priority Group 3	All other licensees who did not lose machines: <ul style="list-style-type: none"> <li>▪ Hotels with 20 machines or less</li> <li>▪ Clubs</li> <li>▪ Community Hotels</li> <li>▪ Hotels owned by a non-profit association</li> </ul> Any new gaming machine licences
More Offers to Sell than Buy		
Priority to Sell	Priority Group 1	Licensees who want to sell all of their entitlements
	Priority Group 2	All other licensees

---

### **2.2.2 Retention of gaming machines (Regulation 12)**

Following lobbying from the hotel industry, the Government agreed to make a regulation which allows licensees who lost machines as a result of the new legislation, to store the excess machines at an approved location with an approved custodian, for a period not exceeding 2 years or 2 months after the third trading day (whichever is the longer).

The regulation provides for the Minister to exempt licensees and custodians from the provisions of the Act that would ordinarily prevent them from retaining gaming machines in this manner.

The hotel industry sought this exemption to allow affected licensees to postpone having to sell or dispose of a gaming machine while they endeavour to reacquire over a number of trading rounds, the entitlements lost for those machines.

As previously mentioned, the *Gaming Machines Regulations 2005* commenced on 31 March 2005. An exemption pursuant to regulation 12 was granted by the Minister on 10 June 2005.

The exemption requires that the terms of the arrangement between the licensee and the custodian be approved by the Commissioner and that the machines being stored can only return to the venue from which it was originally removed and only if the licensee obtains an entitlement to operate the machine or if it is replacing a machine which is to be sold or destroyed. Neither a licensee nor the custodian can remove parts from a stored machine.

Two custodians were approved on 10 June 2005. They were: Bytecraft Systems Pty Ltd (the current approved service agent for the State Supply Board) and SA Power Gaming (currently the holder of a gaming machine dealer's licence).

---

## 3. TRADING ROUND

The first trade in gaming machine entitlements was held on 11 May 2005. The closing date for applications for the first round was 4 May 2005.

The results of the trade were as follows:

### *Sellers*

21 venues applied to sell a total of 169 entitlements

This was made up of:

- 12 profit venues selling 107 entitlements
- 9 non-profit associations selling 62 entitlements

### *Buyers*

186 venues lodged applications to buy a total of 1346 entitlements

### *Allocations*

Of the 169 entitlements offered for sale, one-quarter (42 entitlements) were withheld from the pool which left 127 for distribution to purchasers. (See part on Withheld Entitlements below).

The regulations provide for 3 priority groups for the first trade round.

- First priority was given to those venues which lost more than 20% of gaming machine numbers as a result of the legislated compulsory gaming machine reduction formula. Priority stopped once that venue received enough entitlements to bring the loss back to 20% or less.

There were 20 venues in this category which were given priority for 34 entitlements with some venues receiving more than one entitlement.

- Second priority was given to any venue required to reduce numbers under the new legislation (including any remaining entitlements sought from those applicants in the first priority group).

There were 184 venues in this category seeking 1312 entitlements.

- Third priority was given to any other venue, including new gaming machine venues and venues that are non-profit associations.

There were no applicants for this category.

All 20 venues in the first priority group were fully satisfied with 34 entitlements.

This left 93 entitlements to be distributed to the 184 applicants in the second priority group. As there were not enough entitlements to enable each applicant to receive at least one, a random ballot was conducted to distribute the 93 entitlements.

Ninety one (91) venues were unsuccessful in the ballot and did not receive any entitlements.

In total, 100 venues received one or more entitlements (13 of the 20 venues which received allocations under priority 1 were also successful in receiving an entitlement in the ballot)

### *Payment Defaults*

Successful applicants were required to make payment of \$55,000 (inc GST) for each entitlement allocated to them in the trade, by 25 May 2005.

Four applicants advised that they did not wish to proceed with the purchase of 5 entitlements and a further 8 applicants failed to pay for 10 entitlements by the due date.

The Commissioner exercised his discretion under regulation 14(13) to cancel the sale to those applicants who advised that they did not wish to proceed and on 2 June 2005, those 5 entitlements were reallocated by ballot to 5 of the 91 applicants who were unsuccessful in the first ballot.

For the 8 applicants who did not pay by the due date, the Commissioner exercised his discretion under regulation 14(13) to recover the debt. All amounts were required to be paid by 9 June 2005.

One applicant failed to pay for 3 entitlements by this date and the Commissioner exercised his discretion to cancel the sale to that applicant. On 10 June 2005 those 3 entitlements were re-allocated by ballot to 3 other applicants of the remaining 86 who were unsuccessful in the ballot.

**Total entitlements allocated after cancelled entitlements were reallocated:**

No. of entitlements allocated	Overall	
	No. of Venues	Total Entitlements
4	2	8
3	6	18
2	6	12
1	89	89
	<b>103</b>	<b>127</b>

The final payment for the 8 re-allocated entitlements was received on 16 June 2005. A total of \$6,985,000 (incl GST) (\$55,000 x 127) was received from all purchasers (excluding GST).

On 16 June 2005 the proceeds were distributed to the 20 sellers of 169 entitlements in the amount of \$41,331.36 (incl. \$3,757.39 GST) per entitlement offered for sale.

***Withheld Entitlements***

The regulations provide for one-quarter of entitlements offered for sale to be withheld from the pool. Forty two (42) entitlements were withheld from the sale pool.

Twenty seven (27) of these entitlements were cancelled. This brings the number of machines removed from the State to 2195 (2168 removed as a result of the compulsory reduction plus 27 cancelled).

Fifteen (15) entitlements will be transferred to the holder of the Special Club Licence (Club One) if and when the licence is granted.

***Effect of Payment Defaults***

The number of licensees who defaulted in paying for entitlements was disappointing. As the majority of applicants actually sought to buy 8 entitlements, it is clear that some applicants did not have the finances to support their application or were not entirely sure that they really wanted one.

Those venues that did not pay by the due date subsequently caused delays in sellers receiving their proceeds. The regulations provide (given the pooling mechanism) that the proceeds can not be divided between the sellers until all proceeds from buyers have been received. The delay in settlement disadvantaged sellers who were understandably annoyed.

While not exercised in the first trade round, the regulations also allow the Commissioner to require applicants seeking to purchase entitlements, to provide an irrevocable letter of credit from a financial institution or other security to substantiate that the applicant has the ability to pay. This may include requiring the applicant to pay for any offer in advance.

---

## 4. REMOVAL OF EXCESS MACHINES

From 1 February 2005 a program to ensure that all “excess” gaming machines would be removed from venues as soon as possible after 1 July 2005 was commenced.

The provision making it an offence to possess more machines than entitlements came into effect on 1 July 2005.

A number of bulletins were issued to licensees advising them of the legislative and regulatory changes and of their obligations in relation to the changes. Senior staff of my office attended meetings with licensees throughout the State to clarify issues and to ensure cooperation of venue operators in achieving the reduction in gaming machine numbers.

Detailed arrangements were made with the Independent Gaming Corporation Ltd (IGC) to disable surplus machines on 1 July 2005 and a plan for the physical removal of excess gaming machines post 1 July 2005 was developed with both IGC Ltd and the gaming machine service agent, Bytecraft Systems Pty Ltd.

Licensees with excess gaming machines were asked to nominate those machines which were to be initially disabled on 1 July 2005 and then subsequently removed.

A number of licensees had elected to remove excess machines in the months prior to 1 July 2005. Approximately 750 had already been removed by 30 June 2005.

---

## 5. GAMING LICENCES

### 5.1 GAMING MACHINE LICENCES

A gaming machine licence authorises the holder to possess and operate gaming machines. The maximum number of gaming machines that a licence holder can possess and operate is 40.

To be eligible to apply for a gaming machine licence a venue must hold either a hotel licence, club licence or a special circumstances licence (where that licence was granted on surrender of a hotel or club licence or is a major sporting venue or headquarters for a sporting code) under the *Liquor Licensing Act 1997*.

As at 30 June 2005 there were 589 active gaming machine licences, under the following categories of licence:

470	Hotels
80	Clubs
39	Special Circumstances

A further 13 licences were under suspension for various reasons. During the reporting year, no new gaming machine licences were granted.

### 5.2 GAMING MACHINE MONITOR LICENCE

The gaming machine monitor licence authorises the holder to provide and operate an approved computer system for monitoring the operation of all gaming machines.

The monitoring licence is held by the Independent Gaming Corporation Ltd (IGC) which is an incorporated body jointly owned by the Australian Hotels Association (SA) and the Licensed Clubs Association of SA Inc.

#### 5.2.1 Monitoring System

The central computer monitoring system to which all gaming machines are connected is the prime source of control over the security, integrity and proper operation of gaming machines. The system also collects, processes and summarises gaming statistics for all venues and provides data to this Office for the assessment of gaming tax.

#### 5.2.2 System Upgrade

During the year, there were no modifications made to the gaming machine monitoring system.

#### 5.2.3 Secure Internet Based Customer Reporting Facility

During 2001-02, IGC developed a reporting facility which allows gaming machine operators and manufacturers to access information and reports from the monitoring system via the Internet.

For a small monthly fee, the facility allows operators to download formatted reports from the IGC's web site which provide gaming machine statistics and events for that venue. It also provides downloadable data which can be imported into other data management applications.

The information obtained from the monitoring system via the Internet facility is used to fulfil some of the licensees' record keeping obligations and in other cases supplements the data recorded at the venue.

At 30 June 2005, there were 233 operators and manufacturers utilising the Secure Internet Based Customer Reporting Facility.



---

#### **5.2.4 Information Data Port**

The Information Data Port (IDP) facility was first approved in February 1999. This facility allows gaming machine operators to access machine information electronically via an interface to the SC300 Site Controller, reducing the need for manual meter reading.

The number of IDP's in the field increased from 227 as at 30 June 2004 to 232 as at 30 June 2005.

#### **5.2.5 Fees**

IGC charges an establishment fee for new gaming machine operators. This was maintained at \$1,500 for 2004-05. A monitoring fee is charged for each gaming machine connected to the monitoring system and is charged at a monthly rate. Monitoring fees are the prime source of income for the IGC and must cover all the Corporation's costs. Monitoring fees are approved by the Minister and are reviewed on a regular basis. The Minister approved a monitoring fee of \$37.40 per machine per month effective 1 July 2004 to 30 June 2005. This fee contains a GST amount of \$3.40 and remains unchanged from the previous three years.

#### **5.2.6 Gamblers' Rehabilitation Fund**

During the reporting year, the Independent Gaming Corporation Ltd provided \$1.5 million to the Gamblers' Rehabilitation Fund which is administered by the Department for Family and Communities. The Government provided a further \$2.678 million from Consolidated funds.

#### **5.2.7 Board Members**

The Directors of the Independent Gaming Corporation Ltd as at 30 June 2005 were:

- Mr Barry Francis Beazley - Chairman (resigned 10 March 2005)
- Mr Colin Wayne Dunsford (appointed chairman 31 March 2005)
- Mr Peter John Hurley - Deputy Chairman
- Mr Steven Ploubidis
- Mr William Cochrane
- Mr Brett Matthews
- Mr Robin James Guy

My Office continues to have an excellent working relationship with the Independent Gaming Corporation's board and staff. IGC staff played a key role in the preparation for the removal of gaming machines on 1 July 2005 and I would like to acknowledge their assistance and cooperation.

### **5.3 GAMING MACHINE SUPPLIER'S LICENCE**

The gaming machine supplier's licence authorises the holder, acting through an approved agent, to purchase from a licensed gaming machine dealer, and to sell or supply to the holder of a gaming machine licence, approved gaming machines, prescribed gaming machine components and gaming equipment.

The gaming machine supplier's licence is held by the State Supply Board.

As at 30 June 2005, the two approved agents of the Board were:

- James MacGuire
- John Leaton Harris

---

## **5.4 GAMING MACHINE SERVICE LICENCE**

The gaming machine service licence authorises the licensee to install, service and repair approved gaming machines, prescribed gaming machine components and gaming equipment.

The State Supply Board, as holder of the licence, has appointed approved agents to perform the work authorised under the licence. Taha Gaming Services Pty Ltd (formally AWA Gaming Services Pty Ltd and trading as Jupiters Gaming Services) and Bytecraft Systems Pty Ltd were the Board's approved agents for 2004-05.

However, during the year Taha Gaming Services Pty Ltd (which was a subsidiary of TABCORP) was sold to Bytecraft Systems Pty Ltd, effective on 10 June 2005. The terms, conditions and pricing structure of all service agreements already in place between Jupiters and holders of gaming machine licences continue to operate until the service agreement between Jupiters and the State Supply Board is terminated on 30 June 2006. Effectively therefore, only one service agent is now operating.

The Independent Gaming Corporation Ltd is responsible for the service and maintenance of the central monitoring system. However, as a condition of the monitor licence, IGC Ltd is required to appoint sub-contractors for the installation, servicing and repair of the central processor hardware for the central monitoring system.

The following sub-contractors have been approved to perform service and maintenance functions for the IGC :-

- Telstra Corporation Ltd
- Bytecraft Services Pty Ltd
- AWA Gaming Services Pty Ltd (t/as Jupiters Gaming Services)
- IGA Technology Pty Ltd
- Iocane Pty Ltd
- IBM Ltd
- Oracle
- INS Progressive Computing
- Hewlett Packard
- McAfee
- Scientific Games Corporation
- Classic Blue
- Chubb Security
- Wormald Fire Systems
- Computer Site Services

## **5.5 GAMING MACHINE DEALER'S LICENCE**

A gaming machine dealer's licence authorises the holder to manufacture gaming machines and prescribed gaming components and to sell or supply these to the Board or another gaming machine dealer.

Since I last reported, the following gaming machine dealer's licence was granted:

- Stargames Corporation Pty Ltd

The dealer's licence held by Precise Craft Pty Ltd, a subsidiary company of Stargames, was surrendered in December 2004.

There are 19 gaming machine dealer's licences granted as at 30 June 2005. Of these, 13 actively operated in the South Australian market. Eight of these manufacture gaming machines.

---

## 6. APPROVAL OF PERSONS

Under the *Gaming Machines Act 1992*, licensees are required to seek my approval for individual persons who occupy various positions or who have associations with licences.

Persons can be approved in respect of more than one premise and approvals at gaming machine venues can be under more than one category. Categories include gaming machine managers, gaming machine employees, committee members of licensed clubs, directors and shareholders of licensee companies, agents of the State Supply Board, subcontractors and employees of the agent to the holder of the gaming machine service licence, employees and sub-contractors to the holder of the gaming machine monitor licence and in the case of a body corporate that holds a licence, any other person in a position to exercise or exert control or substantial influence over the body corporate in the conduct of its affairs.

As at 30 June 2005, a total of 7750 persons were approved under the *Gaming Machines Act 1992*.

### 6.1 APPLICATIONS FOR APPROVAL

In approving a person in any of the above categories, I must be satisfied that the person is fit and proper. Factors such as creditworthiness (including bankruptcy) and probity are taken into account. In determining whether a person is fit and proper, I must have regard to the honesty and integrity of the person's known associates, including relatives. A copy of every application is provided to the Commissioner of Police who may intervene in any proceedings before me on the question of whether a person is fit and proper.

During 2004-05 a total of 3576 persons were approved under the various categories of the *Gaming Machines Act 1992*.

#### 6.1.1 Applications Refused

During 2004-05 there were no applications for approval under the *Gaming Machines Act 1992* that were refused.

#### 6.1.2 Approvals Revoked

Under section 44, I may revoke an approval of a person made under Part 4 of the Act, on such grounds or for such reasons as I think fit.

During 2004-05, I conducted hearings in relation to the revocation of approvals for two gaming machine employees and two gaming machine managers. One approval for a gaming machine manager was revoked and one approval for a gaming machine employee was revoked.

In the remaining two cases I decided not to revoke the approvals. However, the continuation of the approval for both people was subject to a 'good behaviour' probationary period.

---

## 7. MONITORING AND COMPLIANCE

### 7.1 GAMING MACHINE VENUES (HOTELS AND CLUBS)

The Office of the Liquor and Gambling Commissioner currently employs 10 liquor and gaming inspectors who have responsibility for inspecting 4,700 licensed venues in the State (602 of which hold gaming machine licences) and 2 compliance officers who are responsible for investigation of complaints under liquor and gaming legislation. The inspectorate is integrated with no staff specifically dedicated as gaming machine venue inspectors.

In setting the inspection and compliance program, all licensed premises are categorised according to a risk based system which forms the basis for determining the frequency that premises are inspected. I also have regard to the compliance record of each venue and inspectorial resources are applied accordingly. This risk based approach was developed with the assistance of the Auditor General.

Gaming machine premises have been categorised as high risk to ensure an inspection at least once every 12 months. Typically most gaming machine premises are inspected more than once a year.

#### 7.1.1 Inspections

All gaming machine venues are inspected regularly to assess whether the operations under the licence comply with the requirements of the *Gaming Machines Act 1992*, *Gaming Machine Regulations 1993*, licence conditions and codes of practice.

During 2004-05 a total of 814 inspections were conducted of the State's gaming machine venues.

Inspections include:

- major inspections of every aspect of a premises as part of a routine inspection program;
- attendance at a premise by inspectors to oversee installation of gaming machines;
- inspections of premises in relation to applications made by licensees for variations to gaming area layouts, redefinition of gaming areas and structural alterations as part of renovations;
- targeted inspections of premises in response to specific issues or complaints;
- inspection by licensee disclosure.

#### **Routine Inspections**

All licensed premises are inspected on a regular basis in accordance with a risk based inspection program.

A routine inspection involves inspectors checking a predetermined list of issues as well as conducting a general observation of the premises.

All but 26 gaming machine venues were inspected at least once during 2004-05. Of the 26 venues not inspected between July 2004 and June 2005, the majority were inspected in the later months of 2003-04 and are located in rural areas. These venues were scheduled for early 2005-06.

Matters which form part of routine inspections include ensuring that:

- the licensee is complying with the Responsible Gambling Code of Practice, including:
  - signs, posters, pamphlets, stickers and cards are displayed correctly;
  - licensees have and maintain a responsible gambling document which describes the names and roles of staff in implementing the code and policies in relation to dealing with requests to self-exclude;
  - staff have undertaken all training requirements;
- the layout of the gaming area conforms with the approved layout;
- cash facilities are located outside of the designated gaming area;
- signage including warning notices to minors is prominently displayed;
- approved persons are wearing appropriate identification;
- the area is adequately supervised;

- gaming machine log books have been properly completed;
- gaming machines are in acceptable operating condition;
- copies of barring notices issued by the Independent Gambling Authority are kept on the premises and made available to staff and appropriate procedures have been developed to ensure that excluded persons do not enter or remain in a gaming area.

Inspectors also pay particular regard to any specific conditions that are attached to each gaming machine licence.

### ***Inspections by Complaint***

There are many areas of compliance which can not be detected by routine inspection as they relate to specific incidents. These areas are normally brought to my Office's attention by complaint and include incidents of:

- minors being allowed to enter a gaming area and play machines;
- barred patrons being allowed to enter a gaming area;
- persons playing more than one machine at a time;
- persons being supplied alcohol while sitting or standing at a gaming machine;
- approved gaming staff playing gaming machines;
- patrons being provided with credit to gamble.

A summary of complaints received during 2004-05 is included in part 8.

### ***Compliance by Licensee Disclosure***

Compliance in a number of areas is achieved by the licensee providing materials to my Office for analysis. These include:

- ensuring licensees do not provide ATM or EFTPOS withdrawals above set limits;
- examination of licensee's customer newsletters for compliance with the Responsible Gambling Code of Practice;
- examination of licensees player loyalty mailing lists to ensure that barred patrons have been removed from the list;
- examining licensee's print advertising for compliance with the Advertising Code of Practice.

## **7.1.2 Breaches**

During 2004-05 the following breaches were recorded during routine inspections:

	<b>No. of incidents</b>
Signage not displayed (includes all signs, stickers, pamphlets, posters required by legislation, licence conditions and codes of practice)	660
Clocks not clearly visible	27
Barring notices not maintained correctly	7
Gaming Manager not on duty	3
Approved staff not wearing identification	12
Staff not completed required training	198
Responsible Gambling Document not maintained	326

## **7.1.3 Trends**

### ***Inspection Program***

This year was the first full year of inspections since the new codes of practice were introduced on 30 April 2004. For the majority of venues, this year was the first time the venue had been inspected for compliance with the codes. Most inspectors experienced a significant increase in time spent per inspection. Primarily this was due to two factors. Firstly, there are significantly more items that are now inspected per visit and secondly, inspectors

---

have been required to spend significantly more time educating licensees and answering a multitude of questions from licensees about the new requirements.

The increase in time spent per inspection was anticipated. The number of inspections for the first half of the financial year (July to December) was down by approximately 7% compared to the same period the year before.

It was anticipated that this trend would subside as licensees became more familiar with and aware of their obligations.

For the second half of the year (January to June) the number of inspections increased by 48% compared with the same period the previous year.

Overall, the total number of inspections for the year increased slightly from last year. This year a total of 814 inspections were conducted compared with 735 for 2003-04.

## ***Non-compliance***

### ***Signage***

On face value, the number of breaches in relation to signage has significantly increased from 122 in 2003-04 to 660 this year. However, a direct comparison of total breaches can not be made with the figure reported for 2003-04. Prior to 30 April 2004, the broad category of 'signage' included an inspection of 5 separate items per venue. Since the introduction of the codes of practice on 30 April 2004 there are now 11 separate items under the category of signage. The 122 breaches detected in 2003-04 includes only 2 months where venues were inspected in respect of the additional 6 items.

The level of non-compliance in this area was significant in the first half of the year, but as the industry became familiar with the requirements the level of non-compliance dropped by 70% in the second half of the year.

Overall, compliance with the signage requirements is good and non-compliance usually only relates to one or two items of the 11 in total.

### ***Training***

The level of non-compliance with the training requirements increased slightly this year with the total number of breaches for 2004-05 being 198 compared with 153 the previous year.

As was the case with signage, the level of non-compliance was significantly higher in the first half of the year which decreased by 60% in second half of the year. Notwithstanding, the majority of the incidents of non-compliance relate to the venue not having the relevant training certificates available for inspection rather than the staff member not having completed the training.

### ***Responsible Gambling Document***

A new requirement of the Responsible Gambling Code of Practice has been the development of a responsible gambling document.

Clause 2(b) of the responsible gambling code of practice requires licensees to

*"... prepare and keep current a document detailing -*

*(i) the manner in which staff training and measures for intervention with problem gamblers are implemented;*  
*and*

*(ii) the roles of staff (described by name or by job title) in the implementation of the code."*

As reported last year, this has proven to be a difficult task for most licensees who, in the absence of any guidance or pro-forma, had difficulty understanding the concept or purpose of the document.

By far, this has been the highest area of non-compliance.

Again, non-compliance was highest in the first half of the year. Primarily this can be attributable to the majority of venues awaiting a pro-forma document developed by the Australian Hotels Association (AHA).

This document did not become readily available to AHA members until November 2004.

---

This proved to be a significant factor in the decline of non-compliant venues. The level of non-compliance dropped by 80% in the second half of the year.

While the majority of venues now have this document, of most concern now is the failure of senior staff members of some venues to communicate the content or indeed the existence of this document to other staff members.

### ***Advertising Code of Practice***

The new advertising code of practice commenced on 30 April 2004. As reported last year, I engaged a media monitoring service to provide my Office with copies of gambling advertisements placed in the Advertiser, Messenger newspapers and country press newspapers. Copies are received on a fortnightly basis and are examined by my officers for compliance with the various clauses of the code. For the 2004-05 year, 850 advertisements were examined.

While awaiting legal advice, possible breaches in respect of the code were not recorded.

### ***Clarification on the interpretation of the codes***

In my report last year, I reported that there were a number of areas of the responsible gambling code of practice and the advertising code of practice on which I had sought legal advice. In particular I sought advice on the application of clause 6(1) of the Responsible Gambling Code of Practice - Alcohol and Gambling, in particular sub-clause (c) which says:

*“The gambling provider will take all practicable steps to ensure that alcohol is not supplied to reward, promote or encourage continued gambling.”*

I also sought advice on numerous clauses of the Advertising Code of Practice.

During 2004-05 I received advice on these matters. While the advice clarified several issues, there still remain many areas of the Advertising Code of Practice which are open to interpretation. In response to the advice and to attempt to assist licensees with interpretation and compliance, I issued two sets of guidelines in January 2005.

- Responsible Gambling Code of Practice - Guidelines for Compliance
- Advertising Code of Practice - Guidelines for Compliance

### ***Overall Non-Compliance Summary***

Statistically, the total number of breaches detected in each category shown in the table at 7.1.2 increased from the number reported in 2003-04. However, a comparison between the first and second half of the year shows an overall decline of non-compliance of 70% in the second half.

I believe this decline is due to the efforts of inspectors, the AHA and ClubsSA in informing and educating licensees about the new requirements imposed by the codes of practice, regular bulletins and information distributed through the Licensee Update newsletter and the issuance of the code of practice guidelines.

I expect this trend to continue and to assist with this, my Office has developed a self-audit checklist which will be available in early 2005-06. The checklist brings together the requirements of all legislation (liquor, gaming and wagering). While not mandatory, the checklist will be a useful tool for licensees to self-assess their level of compliance in all areas.

---

## **7.2 MONITORING SYSTEM**

One of the main functions of the Office of the Liquor and Gambling Commissioner is to ensure that the operation, integrity and security of gaming machines are maintained at the highest standard.

The primary tool in performing this function is the central monitoring system operated by the Independent Gaming Corporation Ltd. The primary focus of the Commissioner in ensuring constant scrutiny of the operations conducted under the monitor licence is the integrity of the monitoring system itself.

The system currently operated by the Independent Gaming Corporation Ltd is the VLC Advanced Gaming System (AGS).

The imposition of licence conditions and the approval of procedures and policies ensure that there are sufficient internal and external security and audit controls. These controls ensure that any manipulation of the data collected and produced by the monitoring system will produce an auditable trail and that the software or hardware of the monitoring system cannot be altered without my knowledge.

In order to satisfy the Commissioner that only approved software and hardware is installed, my office established a 'baseline' procedure for taking a snapshot of the system at any point in time. The process involves using a computer utility tool to provide binary comparison verification of the application software. The result is the production of a baseline order showing the current configuration of software and hardware of the system at a point in time.

This baseline document enables OLGC officers to compare the system at any future point in time with the last baseline document to ensure that no unauthorised changes have been made.

Any alteration made to the current system is evaluated and approved by the Commissioner. The Commissioner determines whether or not such alterations require specialist evaluation by a suitably qualified software testing facility or whether upon production of results of test scripts minor alterations can be approved without more detailed investigation.

Any alterations subsequently approved are installed in the presence of an OLGC officer and the baseline procedure is conducted following its installation.

As there were no modifications made to the monitoring system during the year, no baseline procedures were conducted during 2004-05.

Scrutiny is also maintained via the review and analysis of reports which are generated by the monitoring system.

These reports are reviewed and analysed by specialist staff within my office. The reports are used both to scrutinise the operations of IGC as well as the operations of machines operated in the field.

For example, reports can be used to detect a possible malfunctioning machine. The reports are also monitored by my office to check that IGC has followed set procedures for trying to re-establish communications.

Alternatively, some reports are used solely for scrutinising games installed in the field.

The monthly checks made on the accuracy of data and the rigorous testing of the system's functionality in the original system approval process contributes to ensuring that the reports generated by the system can be relied on for the scrutiny of other licence holders.

There were 5 amendments to the procedure manuals for the AGS monitoring system approved during 2004-05. Ongoing scrutiny by my Office found no unauthorised adjustments made to data and no alterations were made to the system without my approval.



## 8. COMPLAINT INVESTIGATIONS

The Office investigated a total of 20 complaints during 2004-05 in respect of the conduct of gaming operations by licensed hotels and clubs.

Three of these complaints involved 2 separate issues.

### 8.1 SUMMARY OF COMPLAINTS

Type of complaint	No. of incidents
Sec 51(1) GMA - Approved gaming manager or employee playing gaming machines on premises	3
Sec51B(1) GMA - cash facility withdrawal limit	1
Sec 52(1)(c)&(2)(c) GMA - Licensee, gaming manager or employee provided credit for the purpose of playing gaming machines <sup>1</sup>	3
Sec 53A(6) GMA- gaming machine allowing autoplay facility	1
Sec 59(4) GMA - Barred person allowed to enter gaming area	1
Sec 66(1)(a) GMA - Allowed gaming machine to operate defectively	1
Sec 67(1)(a) & (c) GMA - power to remove person behaving offensively	1
Condition (o) LC - No gaming manager on duty	1
Clause 4(3) RGCOP - Person allowed to play two machines at a time	2
Clause 5(3) RGCOP - Attention drawn to gambling referral service	1
Clause 6(1)(a) RGCOP - Person aggrieved by being prevented from gambling while intoxicated	3
Clause 6(1)(c) RGCOP - alcohol supplied to encourage continued gambling	2
Clause 9 (3)(d) RGCOP - Barred person not removed from loyalty database	1
General - RGCOP - Patron forced to play gaming machines to consume free coffee	1
General - ACOP - Loyalty Scheme promotion	1

<sup>1</sup> includes two complaints made in relation to the same incident

ACOP - Advertising Code of Practice

GMA - Gaming Machines Act

LC - Licence Conditions

RGCOP - Responsible Gambling Code of Practice

For 8 complaints (10 alleged breaches) the licensee was found to be not at fault.

For 2 complaints, the licensee was found to be at fault and an assurance was signed by the licensee.

For 1 complaint disciplinary action was taken and a reprimand was recorded.

For 5 complaints there was insufficient evidence to substantiate the claim.

For 4 complaints (6 alleged breaches) an investigation is still proceeding as at 30 June 2005.

For the majority of cases where there was insufficient evidence to substantiate the claim, my officers were unable to progress the investigation as the complainant was unwilling to make a formal statement or wished to remain anonymous.

---

## **8.2 PAYOUT DISPUTES AND MALFUNCTIONS**

There were 23 complaints received during 2004-05 in relation to payout disputes or alleged machine malfunctions.

The nature of these matters varies from simple requests for information and clarification of the *Gaming Machines Act 1992* through to more complex matters involving closer examination of both financial and technical information.

A range of strategies are employed, depending on the nature of the complaint, including:

- interviewing complainants or respondents;
- confirmation of a game's history;
- confirmation of events leading up to the dispute;
- examination of financial and chronological data acquired from the central monitoring system;
- testing of technical aspects of a particular game or machine;
- any other actions deemed necessary.

In all cases an investigation found no evidence to support the claim or that no fault had occurred.

Section 76 of the *Gaming Machines Act 1992* states:

*“A player who is aggrieved by a decision to have his or her winnings withheld may apply to the Commissioner for a review of the decision”*

All parties involved in a dispute are advised of this section if it appears that the matter cannot be resolved following the internal investigation.

During 2004-05, no applications for review were received under section 76 of the Act.

## 9. DISCIPLINARY ACTION

Section 36 of the *Gaming Machines Act 1992* allows the Commissioner to take disciplinary action against a licensee for the following reasons:

- the licence was improperly obtained;
- the licensee is not a fit and proper person to hold the licence;
- a person who occupies a position of authority in a trust or corporate entity that holds a licence is not fit and proper;
- the licensee has contravened or failed to comply with a provision of the Act or a condition of licence;
- the licensee has been convicted of an offence against the Act or an offence punishable by imprisonment;
- the licensee has ceased to operate gaming machines on the premises.

The most common reason for initiating disciplinary proceedings is the contravention of a provision of the Act or a condition of licence (including codes of practice).

Section 36 was amended by the *Gaming Machines (Miscellaneous) Amendment Act 2004* to include 2 additional remedies in taking disciplinary action (denoted \* below). From 1 February 2005, I may:

- reprimand a licensee;
- add to or vary the conditions of licence;
- suspend the licence;
- revoke the licence;
- cancel 1 or more gaming machine entitlements\*;
- impose a fine not exceeding \$15,000\*.

The amendment also provides that disciplinary action may be taken against a former licensee.

I must give written notice to the licensee of the proposed disciplinary action and allow the licensee 21 days or longer to show cause why action should not be taken.

### 9.1 SUMMARY OF DISCIPLINARY NOTICES ISSUED

Reason for disciplinary notice	Legislative Reference	No. of notices
Multiple breaches detected during inspection	Various	28
Gaming staff not completed training	Contravention of licence conditions (nb) & (w)	10
Monitoring agreement not maintained	Contravention of licence condition (k)	1
Service Agent agreement not maintained	Contravention of licence condition (r)	2
Barred person not removed from loyalty mailing list	Contravention of 9(3)(d) RGCOP	1
Advertisement did not comply with Code	Contravention ACOP	1
<b>TOTAL</b>		<b>43</b>

ACOP - Advertising Code of Practice  
RGCOP - Responsible Gambling Code of Practice

Disciplinary action was taken in 22 cases (Twenty reprimands were recorded and 2 licences were suspended).

In 13 cases, no action was taken.

Eight matters had not been determined as at 30 June 2005.

## 9.2 SUMMARY OF DISCIPLINARY ACTION TAKEN

During 2004-05 the following disciplinary action was taken:

Premises	Licensee (at time of inspection/complaint)	Grounds for Disciplinary Action	Action Taken
Royal Arms Hotel	Dionysopoulos Dion	Failed to comply with condition (w) and Clause 10 RGCOP - Training requirements not met	Reprimand
Golden Port Tavern	Noid Investments Pty Ltd	Failed to comply with condition (w) and Clause 10 RGCOP - Training requirements not met	Reprimand
Curramulka Hotel	Kym Peter Paech & Kristine Joy Paech	Failed to comply with condition (k) Schedule 1 - Monitoring agreement terminated	Licence Suspended
Munno Para Bowling & Recreation Club	Munno Para Bowling & Recreation Club Inc	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>▪ Clause 4(2) RGCOP - Clock not clearly visible</li> <li>▪ Condition (w) and Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand
Seven Stars Hotel	Bend Hotel Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>▪ Clause 5(2)(b) RGCOP - Responsible Gambling Pamphlets not displayed</li> <li>▪ Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>▪ Clause 2(a)(i) &amp;(ii) RGCOP, condition (u) Attachment B - Code of Practice sign not displayed</li> </ul>	Reprimand
Sussex Hotel	The Pub Restaurant Co Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>▪ Section 57 GMA - Warning to Minors sign not displayed</li> <li>▪ Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility</li> <li>▪ Clause 2(a)(i) &amp;(ii) RGCOP, condition (u) - Code of Practice sign not displayed</li> <li>▪ Section 54 GMA - Gaming Licence not displayed</li> <li>▪ Clause 4(3)(a) RGCOP, Condition (u) - Warning Notice (playing multiple machines) not displayed</li> <li>▪ Clause 5(2)(b) RGCOP - Responsible Gambling Poster not displayed</li> <li>▪ Clause 4(2) RGCOP - Clock not clearly visible</li> </ul>	Reprimand
Brecknock Hotel	KA & PL Moore	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>▪ Condition (w), Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand
Old Queens Arms Hotel	OQA Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Condition (u) - Playing of more than one machine sticker not affixed to each machine</li> <li>▪ Section 57 GMA - Warning to Minors sign not displayed</li> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>▪ Condition (w), Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand

Premises	Licensee (at time of inspection/complaint)	Grounds for Disciplinary Action	Action Taken
Riverside Hotel	Sudal Investements Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Condition (n) - Rules Ancillary to Gaming sign not displayed</li> <li>▪ Condition (u) Attachment B - 'Playing of more than one machine' sticker not affixed to each machine</li> <li>▪ Section 57 - 'Notice of Warning to minors' sticker not affixed to each machine</li> <li>▪ Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility</li> <li>▪ Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>▪ Clause 5(1)(a) RGCOP - Copies of barring notices not maintained</li> <li>▪ Section 11 - Barring notices not maintained in area accessible to staff or located/displayed were members of the public can access them</li> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Meningie Hotel	Tarpree Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Section 54 - Copy of gaming licence not displayed</li> <li>▪ Condition (u) - Playing of more than one machine' sticker not affixed to each machine</li> <li>▪ Section 57 - 'Notice of Warning to minors' sticker not affixed to each machine</li> <li>▪ Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>▪ Clause 5(2)(b) RGCOP -Responsible Gambling Poster not displayed</li> <li>▪ Clause 5(2)(b) RGCOP - Responsible Gambling Pamphlets not displayed</li> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Keith Hotel	Gilmorgan Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Riverton Hotel	Pgst Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Condition (n) - Rules Ancillary to Gaming sign not displayed</li> <li>▪ Clause 2(a)(i) &amp; (ii) RGCOP, Condition (u) - Governed by Code of Practice sign not displayed and Code not available</li> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>▪ Condition (w), Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand
Millicent & District Community Club	Millicent & District Community Club Inc	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
B.T'Z Hotel on Whitmore	McPub Pty Ltd & Lement (SA) Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>▪ Section 57 GMA - Warning to Minors sign not displayed</li> <li>▪ Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each machine and ATM facility</li> <li>▪ Condition (h) - Gaming Machine Entry Log Book not properly maintained</li> <li>▪ Section 66 (c) - Logic Board Seal broken</li> <li>▪ Section 11 - Barring notices not maintained</li> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> </ul>	Reprimand

Premises	Licensee (at time of inspection/complaint)	Grounds for Disciplinary Action	Action Taken
Marrakesh Hotel	Raphael S A and H T Investments Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Robe Hotel	Buscombe B L & L S Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>Clause 2(a)(i) &amp; (ii) RGCOP, Condition (u) - Governed by Code of Practice sign not displayed and Code not available</li> <li>Clause 4(3)(a) RGCOP, Condition (u) - Warning Notice (playing multiple machines) not displayed</li> <li>Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> </ul>	Reprimand
Tonsley Hotel	Directors, P & J Hurley Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>Clause 9(3)(d) RGCOP - Failure to remove self excluded people from loyalty mailing database</li> </ul>	Reprimand
West Croydon and Kilkenny Sub-Branch RSL Inc	West Croydon and Kilkenny Sub-Branch RSL Inc	Failed to comply with - <ul style="list-style-type: none"> <li>Section 54 - Gaming Licence not displayed at principle entrance</li> <li>Clause 4(2) RGCOP - Clock not clearly visible</li> <li>Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>Condition (w) and Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand
Union Hotel	Marks & Sons Pty Ltd & E J Hart Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>Condition (r) - Failure to hold a service agreement with the State Supply Board</li> </ul>	Licence suspended for 1 day under section 36 (4)
Big River Tavern	Big River Golf & Country Club Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Snowtown Hotel	Annabel Mary Irving & Mark Eric Anders	Failed to comply with - <ul style="list-style-type: none"> <li>Clause 2(a)(i) &amp; (ii) RGCOP, Condition (u) - Governed by Code of Practice sign not displayed and Code not available</li> <li>Clause 4(3)(a) RGCOP, Condition (u) - Warning Notice (playing multiple machines) not displayed</li> <li>Condition (u) - Playing of more than one machine sticker not affixed to each machine</li> <li>Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility</li> <li>Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>Clause 5(2)(b) RGCOP -Responsible Gambling Poster not displayed</li> <li>Clause 5(2)(b) RGCOP - Responsible Gambling Pamphlets not displayed</li> <li>Clause 5(1)(a) RGCOP - Responsible Gambling Pamphlets not displayed</li> </ul>	Reprimand
Pastoral Hotel	Kellymat Pty Ltd	Failed to comply with - <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>Condition (w) and Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand

GMA - Gaming Machines Act  
RGCOP - Responsible Gambling Code of Practice

# 10. APPROVALS OF GAMES AND MACHINES

## 10.1 TESTING AND EVALUATION OF GAMING MACHINES

Schedule 1(a) under the Gaming Machines Act provides that only approved gaming machines, games and prescribed components may operate in South Australia. Section 40 of the Act then gives me the power to approve machines, games and equipment.

Testing and evaluation of gaming machines has been conducted primarily by Gaming Laboratories Australia. However, testing has also been undertaken by BMM International and Technical Systems Testing Pty Ltd. In addition to the certification received from an accredited test laboratory that a gaming machine or game meets the South Australian Gaming Machine Technical Standards, the Independent Gaming Corporation provides a certificate attesting to the fact that the machine or game conforms to the monitoring system's communications protocol.

As at 30 June 2005, 32 machines and 392 games are currently approved. A number of game approvals include more than one variation of the basic game, such as the return to player percentage, maximum bet and optional game features.

For the period 1 July 2004 to 30 June 2005 :-

Orders approving a new game	53
Orders approving a new version of a game	19
Orders revoking the approval of a game	76
Orders approving a new gaming machine	2
Orders approving a modification to a gaming machine	28
Orders revoking the approval of a gaming machine	0

The Office of the Liquor and Gambling Commissioner is currently the convenor of a national working party for the assessment of testing laboratories. The working party reports to all participating regulators with recommendations of suitably qualified and experienced organisations for consideration as an Accredited Testing Facility (ATF).

The aim is to provide a cooperative and coordinated approach to the assessment of testing facilities by the various gaming regulators of Australia and New Zealand. While accreditations will be issued by individual jurisdictions, the assessment process is conducted most efficiently by this cooperative arrangement.

The first report of the Assessment Panel was issued to participating organisations in November 2000.

South Australia issued accreditations to three organisations - Gaming Laboratories Australia (GLI), BMM International (BMM) and Technical Systems Testing (TST).

In December 2002, the Assessment Panel conducted its second review of the performance of the ATF's. South Australia continued the accreditation of GLI, BMM and TST.

The Panel commenced its third review of ATFs in January 2005. As part of this review, the Panel will also circulate a general call for expressions of interest from new candidates.

## 10.2 NATIONAL STANDARD FOR GAMING MACHINES

South Australia continues to chair the Working Party on Gaming Machine National Standards.

Work has continued with other Australasian gaming jurisdictions to develop the uniform technical standard for gaming machines throughout Australia and New Zealand. The process of developing the National Standard has minimised the different requirements of each gaming jurisdiction.

---

In developing the National Standard, the working party has consulted with gaming machine manufacturers, testing laboratories and other industry participants. The official mechanism for the amendment and development of the National Standard is the annual Manufacturer's and Operator's Forum which was held in Sydney in September 2004 and was chaired by the Liquor and Gambling Commissioner for South Australia.

At the 2004 Forum, the association of gaming machine manufacturers (AGMMA) proposed that amendments to the National Standard be made every two years, instead of annually. This proposal was accepted at a meeting of Australasian Gaming CEOs and consequently the next Manufacturers Forum will be held in 2006.

Along with most other Australian and New Zealand regulators, I have adopted the latest revision of the National Standard Rev 8.0, which became effective on 1 June 2005. Manufacturers were notified in December 2004 of the impending change. As of 1 June 2005, all submissions of new gaming machines and games will be evaluated against the National Standards for Gaming Machines Version 8.0 plus the South Australian Appendix Version 5.0.

### **10.3 APPROVAL OF GAMES**

The *Statutes Amendment (Gambling Regulation) Act 2001* amended the *Gaming Machines Act 1992* to require that I now consider the impact of new games on problem gambling. Effective 1 October 2001, section 40(3) of the Act requires that I must refuse any application for approval of a game if, in my opinion, the game is likely to lead to an exacerbation of problem gambling.

In considering such applications, I must also have regard to any guidelines issued by the Independent Gambling Authority. The Authority issued guidelines for the purposes of section 40(2) of the Act on 2 June 2003 effective 1 July 2003. The guidelines set out a number of game characteristics which I must consider likely to lead to an exacerbation of problem gambling unless there is evidence to the contrary. In addition, the guidelines require that an application for approval of a game providing new features or characteristics should be accompanied by a responsible gambling impact analysis.

#### **10.3.1 IGA Game Approval Guidelines - Rate of Play**

The Independent Gambling Authority issued separate guidelines for games approved under the *Casino Act 1997* and *Gaming Machines Act 1992*, however the content of the guidelines is, in a practical sense, much the same.

Clauses 1 and 2(2)(h) of the guidelines provide that :-

*“(1) If a proposed game has one or more of the characteristics listed in sub-clause (2), approval of the game will be likely to lead to an exacerbation of problem gambling unless there is evidence to the contrary.*

*(2) The characteristics referred to in sub-clause (1) are -*

*(h) [rate of play] that the reel spin interval of the game is less than 3.5 seconds or, in the case of a game which does not display reels, a bet can be placed more than 17 times per minute;”*

SKYCITY Adelaide casino applied for approval of a new game, “Super Double Pay 2” - a game which provides a rate of play of less than 3.5 seconds per game. Along with its application, SKYCITY Adelaide provided a submission which argues that slowing the rate of play is not an effective harm minimisation measure and therefore this game, if it were to be approved, is not likely to lead to an exacerbation of problem gambling.

SKYCITY Adelaide referred to the research conducted by the University of Sydney Gambling Research Unit (the Blaszczynski report), a review of that research by the University of Auckland and the recent IPART report.

Blaszczynski found that slowing the rate of play was not an effective harm minimisation strategy and, further, there may be some negative impacts on problem gamblers by causing them to spend more time playing gaming machines. The review of the Blaszczynski report by the University of Auckland generally supported Blaszczynski's finding that “The reel spin modification does not appear, at this stage, to be an effective harm minimisation strategy.”



---

After considering SKYCITY Adelaide's submission, I determined that it did constitute 'evidence to the contrary' in respect of clause 2(2)(h) [rate of play]. Given that "Super Double Pay 2" was not caught by any other clause of the guidelines, the game was approved.

I must still have regard to clause 2(2)(h) and, should any evidence emerge which indicates that slowing the rate of play is an effective harm minimisation measure, my decision on games with a rate of play of less than 3.5 seconds may change.

This decision applies to the guidelines issued under both the Casino and Gaming Machines Acts.

All manufacturers and the Independent Gambling Authority were notified of my decision on "Super Double Pay 2" and its impact on the treatment of future applications.

---

# 11. BARRING

## **11.1 BARRING UNDER SECTION 59 OF THE GAMING MACHINES ACT 1992**

Under section 59 of the *Gaming Machines Act 1992* a licensee may bar a person from the gaming area of the premises if he or she is satisfied that the welfare of the person, or the welfare of a person's dependents, is seriously at risk as a result of the excessive playing of gaming machines by the person.

On 10 March 2004 in conjunction with the implementation of the new codes of practice, I imposed a condition on gaming machine licences requiring licensees to provide copies of barring notices made under section 59 to this Office within 7 days.

A person who is the subject of a barring order may appeal to me to review the order.

During 2004-05 no applications were made to review a barring order.

## **11.2 VOLUNTARY BARRING UNDER THE INDEPENDENT GAMBLING AUTHORITY ACT 1995**

Under section 15B of the *Independent Gambling Authority Act 1995* a person may apply to the Independent Gambling Authority to bar themselves from the gaming area(s) of one or more gaming machine venues.

Copies of barring notices issued by the Authority are sent to each venue. The Authority also issued a direction to all licensees under section 11 of the *Gaming Machines Act 1992* requiring that:

- reasonable steps be taken by the licensee to ensure that the excluded person does not enter or remain in a gaming area within the venue while the order is in force;
- a procedure be implemented by the licensee for this purpose and the licensee must ensure that staff in the venue are instructed in the procedure;
- the notice be kept in a place which is accessible by, or visible to, staff but neither accessible by, nor visible to, members of the public;
- reasonable steps be taken to ensure that the identity of the excluded person is communicated only to the extent necessary to enable the enforcement of the barring order and is otherwise kept confidential.

During inspections of gaming machine venues, inspectors check for compliance with the direction issued by the Authority.

## **11.3 COMPLIANCE**

The effectiveness of the barring systems in place has long been a topic of contention. I understand the argument of licensees who express concern about the difficulties of identifying a person from amongst hundreds of photographs, many of whom have never before patronised the venue.

I understand that it is at times frustrating for licensees, especially when a patron complains that hotel staff are monitoring their behaviour and feel that their privacy is being invaded (which has happened on occasion) but I applaud those licensees who remain vigilant in trying to identify patrons who may have a problem.

## 12. GAMING TAX

### 12.1 RATES

Tax rates were last amended during 2002-03 as a result of the *Gaming Machines (Gaming Tax) Amendment Act 2002* which was passed in Parliament on 24 October 2002. The rates apply to Net Gambling Revenue (NGR).

The rates effective for 2004-05 were:

Annual NGR	Other than Non-Profit Businesses (Hotels)	Non-Profit Business (Clubs & Community Hotels)
	Marginal Tax Rates	Marginal Tax Rates
\$0 - \$75,000	0%	0%
\$75,001-\$399,000	27.50%	21.00%
\$399,001 - \$945,000	\$89,100 plus 37.00% of excess NGR over \$399,000	\$68,040 plus 28.50% of excess NGR over \$399,000
\$945,001 - \$1,500,000	\$291,120 plus 40.91% of excess NGR over \$945,000	\$223,650 plus 30.91% of excess NGR over \$945,000
\$1,500,001 - \$2,500,000	\$518,170.50 plus 47.5% of excess NGR over \$1,500,000	\$395,200.50 plus 37.5% of excess NGR over \$1,500,000
\$2,500,001 - \$3,500,000	\$993,170.50 plus 57% of excess NGR over \$2,500,000	\$770,200.50 plus 47% of excess NGR over \$2,500,000
Above \$3,500,000	\$1,563,170.50 plus 65% of excess NGR over \$3,500,000	\$1,240,200.50 plus 55% of excess NGR over \$3,500,000

A **non-profit business** is defined as “a business carried out pursuant to a gaming machine licence held by or on behalf of a body corporate or association, where the Minister is satisfied that the profits of the business cannot be returned to the members or shareholders of the body corporate or association”.

Effectively this definition applies to all incorporated clubs and also includes community hotels.

### 12.2 DISTRIBUTION OF NGR

During 2004-05, 598 venues operated for all or part of the year. The following table shows the total number of venues falling within each tax threshold.

Annual NGR	Total Number of Venues	
	Other than Non-Profit Businesses	Non-profit business
\$0 - \$75,000	45	20
\$75,001-\$399,000	163	36
\$399,001 - \$945,000	66	14
\$945,001 - \$1,500,000	45	6
\$1,500,001 - \$2,500,000	71	18
\$2,500,001 - \$3,500,000	51	4
Above \$3,500,000	59	0
<b>Total Number of Venues</b>	<b>500</b>	<b>98</b>

---

### **12.3 NON PAYMENT OF GAMING TAX**

A number of licensees fail to pay gaming tax by Electronic Funds Transfer (EFT) from their designated bank account on the due date. If the amount remains unpaid within 7 days of the initial EFT of the account, a fine of 10% is applied. During 2004-05, 14 fines were applied totalling \$17,138.84. Two of these fines totalling \$7,161.19 were subsequently remitted.

The provision of the *Gaming Machines Act 1992* which deals with the recovery of gaming tax (Section 72B) was amended during 2004-05 by the *Gaming Machines (Miscellaneous) Amendment Act 2004*. Prior to the amendment, a licensee who had been fined received a notice advising that if the amount remained outstanding after a further 14 days (from when the fine was applied), I could exercise my powers under section 36 to take disciplinary action. This could include suspending the gaming machine licence. If the amount remained outstanding after the 14 days, I was required under section 36 to give the licensee a further 21 days to show cause why disciplinary action should not be taken. Under this regime, a licensee could have accrued a further month's unpaid gaming tax before any action could be taken for the previous unpaid amount.

From 1 February 2005, if the amount remains outstanding for more than 10 days from date of the EFT (i.e. 3 days after a fine has been applied), I may immediately suspend the licence until the amount is paid. On the day that the fine is applied, licensees receive a notice advising that a fine has been incurred and that they have a further 3 days to pay the amount outstanding (including the fine). For the period 1 July 2004 to 31 January 2005, no notices of disciplinary action were issued (under the previous recovery provisions).

For the period 1 February 2005 to 30 June 2005, six licensees were issued with fines and received notices requiring them to pay within 3 days. In all cases the outstanding amounts were paid before the deadline and no licences were suspended.

### **12.4 REFUNDS**

Refunds of gaming tax arise as a result of the introduction of the tax-free threshold for clubs and hotels with a net gambling revenue of less than \$75,000 per annum and where a venue does not operate for a full financial year.

Gaming tax is collected on a monthly basis whereas the tax rates are based on thresholds for a financial year. Where a venue's gaming revenue fluctuates above and below the tax-free threshold on a month-by-month basis, a refund may occur. A refund will arise where the total tax paid each month exceeds the amount payable on a yearly basis.

Thirty three venues received refunds for the 2004-2005 financial year totalling \$38,062.54.

### **12.5 STAMP DUTIES (GAMING MACHINE SURCHARGE) AMENDMENT ACT 2002**

On 28 November 2002, the *Stamp Duties (Gaming Machine Surcharge) Amendment Act 2002* came into operation. This legislation introduced a surcharge to be payable where ownership of a gaming machine business is transferred. The surcharge is payable where the gaming machine licence itself is transferred or any underlying or indirect interest in a business transfers (e.g. a change to a shareholder of a private company that holds a gaming machine licence).

The surcharge is calculated as 5% of the net gambling revenue of the business derived for the last 12 complete calendar months before the date of the transaction giving rise to the transfer of ownership, multiplied by the proportion of the interest in the business that is transferred.

The responsibility for the calculation and collection of the surcharge is vested with Revenue SA. However, the *Gaming Machines Act 1992* provides that where the surcharge has not been paid upon the grant of a transfer or approval of a person, it is a condition of the grant or approval that the surcharge be paid within the period allowed under the *Stamp Duties Act 1923*.

To facilitate this provision, where the surcharge has not been paid at the time of the grant of transfer or approval of person, I place a condition on the order requiring that the applicant provide evidence within a specified period that the surcharge has been paid.

## 13. ORGANISATION

### 13.1 ORGANISATION STRUCTURE

The organisation structure of the Office of the Liquor and Gambling Commissioner is attached at item 16.

The structure reflects an integration of related liquor and gambling functions which has proven to be not only cost efficient but also effective. The integrated liquor and gambling model reflects best practice.

### 13.2 STAFFING

	2003-04 Budget	2003-04 Actual	2004-05 Budget	2004-05 Actual
Average full time equivalent staff	18.5	18.1	20.0	18.5

### 13.3 BUDGET INFORMATION

	2003-04 Budget	2003-04 Actual	2004-05 Budget	2004-05 Actual
	\$m	\$m	\$m	\$m
Salaries	1.114	1.048	1.191	1.162
Goods & Services	0.373	0.389	0.831	0.540
Total	1.487	1.437	2.022	1.702

\$354,000 of the \$500,000 provided in the 2004-05 budget for compliance with codes of practice issued by the Authority, has been carried forward in the 2005/06 budget.

## 14. THANKS

I thank all staff for their continued efforts in 2004-05.

I also thank the Board and staff of the Independent Gaming Corporation Ltd, Services SA (State Supply Board), Bytecraft Systems Pty Ltd, Australian Hotels Association and Clubs SA for their cooperation and assistance throughout the year.

# 15. STATISTICS

Table 1 Monthly gaming statistics 2004-05

Month	Total bets (\$)	Total Wins (\$)	Net Gambling Revenue (\$)	Tax (\$)	Fines (\$)
Jul-2004	610,814,745	544,008,800	66,805,945	27,096,089	-
Aug	597,236,445	531,914,589	65,321,856	26,296,729	-
Sep	603,316,226	537,916,673	65,399,553	26,288,688	-
Oct	606,712,841	541,360,782	65,352,059	26,165,731	1,699
Nov	578,318,236	516,597,178	61,721,059	24,333,848	2,159
Dec	591,873,864	528,708,349	63,165,515	25,097,882	-
Jan-2005	565,058,863	504,825,985	60,232,878	23,483,178	2,679
Feb	527,987,773	471,777,714	56,210,059	21,424,052	275
Mar	569,852,103	508,981,545	60,870,558	23,796,287	1,923
Apr	576,938,411	516,088,174	60,850,237	23,911,334	1,083
May	585,317,130	523,607,572	61,709,558	24,335,601	159
Jun-2005	581,468,320	519,856,116	61,612,204	24,155,231	-
2004-05 Year	6,994,894,957	6,245,643,477	749,251,480	296,284,651	9,977

Chart 1 Gaming tax levied per month 2004-05

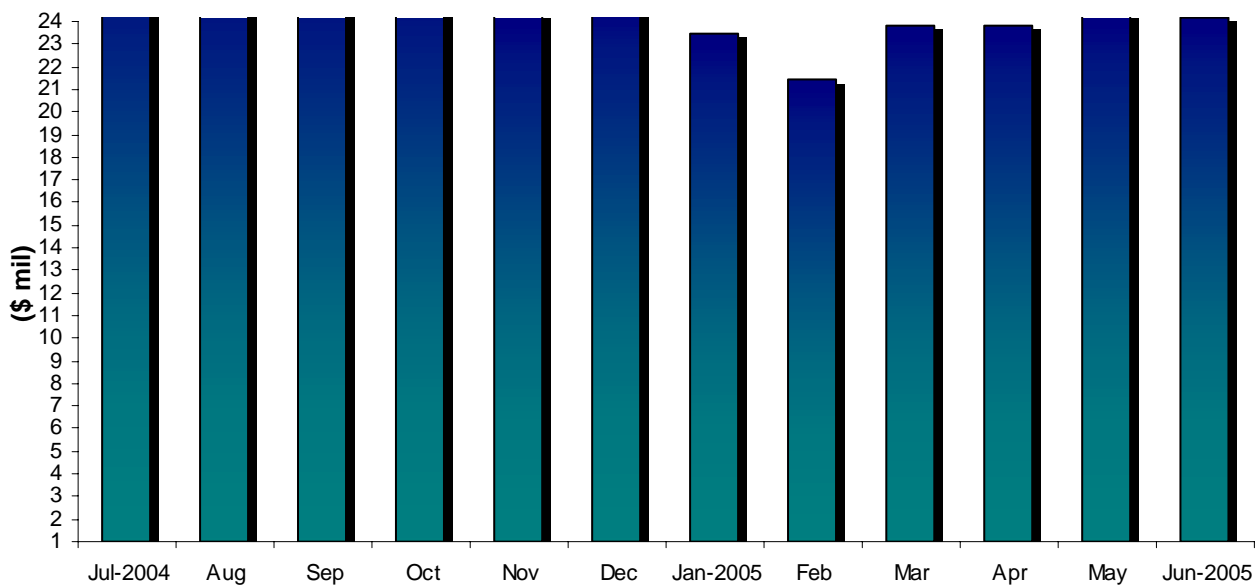
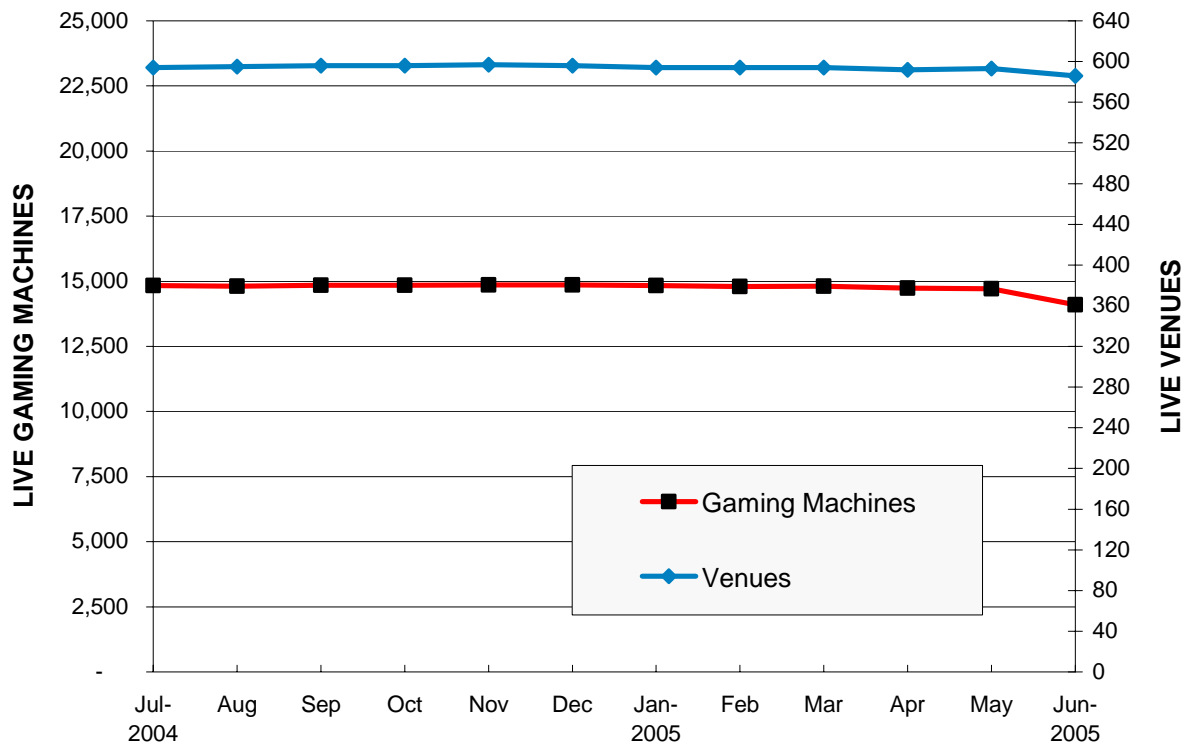


Table 2 **Monthly gaming machine and venue installations 2004-05**

<i>Month</i>	<i>Venues</i>	<i>Gaming Machines</i>
Jul-2004	594	14,838
Aug	595	14,811
Sep	596	14,851
Oct	596	14,851
Nov	597	14,855
Dec	596	14,854
Jan-2005	594	14,836
Feb	594	14,798
Mar	594	14,809
Apr	592	14,739
May	593	14,712
Jun-2005	585	14,062 <sup>1</sup>

<sup>1</sup> Large reduction during June as venues begin to remove machines in anticipation of compulsory shut down on 1 July 2005. 1 July shutdown also included any venues that sold machines in the trade.

Chart 2 **Monthly gaming machine and venue installations 2004-05**



**Table 3 Data by ABS Local Government Area (LGA) 2004-05**

Note: Where a LGA has less than 7 venues, that LGA has been grouped with another LGA

<i>LGA or Grouped LGA</i>	<i>No of Venues</i>	<i>No of machines at 30 Jun 05</i>	<i>Aggregate NGR (2004-05)</i>	<i>Aggregate NGR per venue (2004-05)</i>
Adelaide	59	1400	\$41,160,910.42	\$697,643
Adelaide Hills	18	292	\$5,047,710.61	\$280,428
Alexandria	13	287	\$8,034,072.90	\$618,006
Barossa	15	261	\$6,679,754.78	\$445,317
Barunga West, Copper Coast	16	260	\$8,910,069.80	\$556,879
Berri Barmera	7	184	\$8,035,217.59	\$1,147,888
Campbelltown, Tea Tree Gully	16	547	\$50,791,383.38	\$3,174,461
Ceduna, Streaky Bay, Le Hunte, Elliston, Lower Eyre	10	151	\$4,650,696.31	\$465,070
Charles Sturt	30	965	\$64,425,009.15	\$2,147,500
Clare & Gilbert Valleys	7	133	\$2,217,802.88	\$316,829
Coorong, Tatiara	9	153	\$4,450,912.58	\$494,546
Gawler	8	244	\$13,623,552.15	\$1,702,944
Goyder, Northern Areas	11	71	\$1,074,545.27	\$97,686
Holdfast Bay	12	451	\$27,246,435.70	\$2,270,536
Kangaroo Island, Yankalilla, Victor Harbor	13	294	\$9,893,724.23	\$761,056
Kapunda & Light, Mallala	12	117	\$3,657,435.27	\$304,786
Kimba, Cleve, Tumby Bay, Franklin Harbour	7	77	\$1,844,951.52	\$263,565
Loxton Waikerie	7	148	\$4,263,777.48	\$609,111
Marion	12	383	\$30,197,095.20	\$2,516,425
Mid Murray	10	135	\$2,840,833.68	\$284,083
Mitcham, Burnside	9	280	\$14,895,224.03	\$1,655,025
Mount Barker	12	293	\$9,800,917.29	\$816,743
Mount Gambier, Grant	15	455	\$17,615,115.42	\$1,174,341
Mount Remarkable, Orroroo/Carrieton, Peterborough	7	80	\$1,364,584.36	\$194,941
Murray Bridge, Karoonda/East Murray, Southern Mallee	10	181	\$9,943,561.78	\$994,356
Naracoorte & Lucindale, Robe, Lacedpede	8	193	\$5,281,529.85	\$660,191
Norwood Payneham & St Peters	19	700	\$31,585,363.48	\$1,662,388
Onkaparinga	26	863	\$65,511,220.10	\$2,519,662
Playford	12	352	\$31,535,169.67	\$2,627,931
Port Adelaide Enfield	47	1331	\$67,742,747.95	\$1,441,335
Port Augusta	12	305	\$9,416,148.83	\$784,679
Port Lincoln	7	225	\$9,151,607.64	\$1,307,373
Port Pirie	9	260	\$8,771,912.24	\$974,657
Prospect, Walkerville	7	277	\$18,031,280.47	\$2,575,897
Renmark Paringa	7	160	\$5,476,780.43	\$782,397
Roxby Downs, Coober Pedy, Flinders Ranges	8	158	\$5,688,449.58	\$711,056
Salisbury	22	733	\$69,224,067.59	\$3,146,549
Unincorp. Far North, Unincorp. West Coast	7	66	\$792,096.02	\$113,157
Unley	8	306	\$15,536,563.90	\$1,942,070
Wakefield Region	9	64	\$1,355,611.48	\$150,623
Wattle Range	8	151	\$3,916,929.93	\$489,616
West Torrens	11	372	\$28,447,491.92	\$2,586,136
Whyalla	8	216	\$13,351,086.31	\$1,668,886
Yorke Peninsula	18	225	\$5,770,128.97	\$320,563
	598	14,789	\$749,251,480.14	\$1,252,929

The total number of 598 represents the total number of venues that operated and derived NGR at any time throughout the year. This number may differ from the total as at 30 June 2005 due to surrender or suspension of the gaming licence.



Where data is divided between hotels and clubs in the following tables, the division is made in relation to the nature of how the venue operates as opposed to how it is taxed. i.e. A community hotel is included in the following tables under 'Hotels' but is taxed as a non-profit business (see section 12).

**Table 4 Net gambling revenue - 2001 to 2005**

	2000-01 (\$mil)		2001-02 (\$mil)		2002-03 (\$mil)		2003-04 (\$mil)		2004-05 (\$mil)	
		%		%		%		%		%
Hotels	506.924	93.2	567.592	93.5	623.792	93.2	670.267	92.6	693.008	92.5
Clubs	36.546	6.8	39.222	6.5	45.283	6.8	53.337	7.4	56.243	7.5
Total	543.470		606.814		669.075		723.604		749.251	

**Table 5 Gaming tax - 2001 to 2005**

	2000-01 <sup>1</sup> (\$mil)		2001-02 (\$mil)		2002-03 <sup>2</sup> (\$mil)		2003-04 (\$mil)		2004-05 (\$mil)	
		%		%		%		%		%
Hotels	180.832	95.2	203.245	95.4	234.166	95.5	269.860	95.2	281.567	95.0
Clubs	9.084	4.8	9.826	4.6	11.118	4.5	13.660	4.8	14.717	5.0
Total	189.916		213.071		245.284		283.520		296.284	

<sup>1</sup> Tax rates reduced with the introduction of GST

<sup>2</sup> Tax rates changed effective from 1 January 2003

**Table 6 Average net gambling revenue per machine per day - 2001 to 2005**

	2000-01	2001-02	2002-03	2003-04	2004-05
Ave NGR per machine per day	\$111	\$115	\$124	\$134	\$139

**Table 7 Average total net gambling revenue per day type - 2001 to 2005**

	2000-01 (\$ mil)	2001-02 (\$ mil)	2002-03 (\$ mil)	2003-04 (\$mil)	2004-05 (\$mil)
Sun	1.053	1.210	1.345	1.479	1.547
Mon	1.123	1.304	1.430	1.540	1.592
Tues	1.269	1.374	1.588	1.697	1.769
Wed	1.503	1.690	1.848	2.056	2.101
Thurs	1.896	2.085	2.285	2.354	2.492
Fri	1.958	2.171	2.370	2.546	2.653
Sat	1.618	1.810	1.973	2.170	2.205

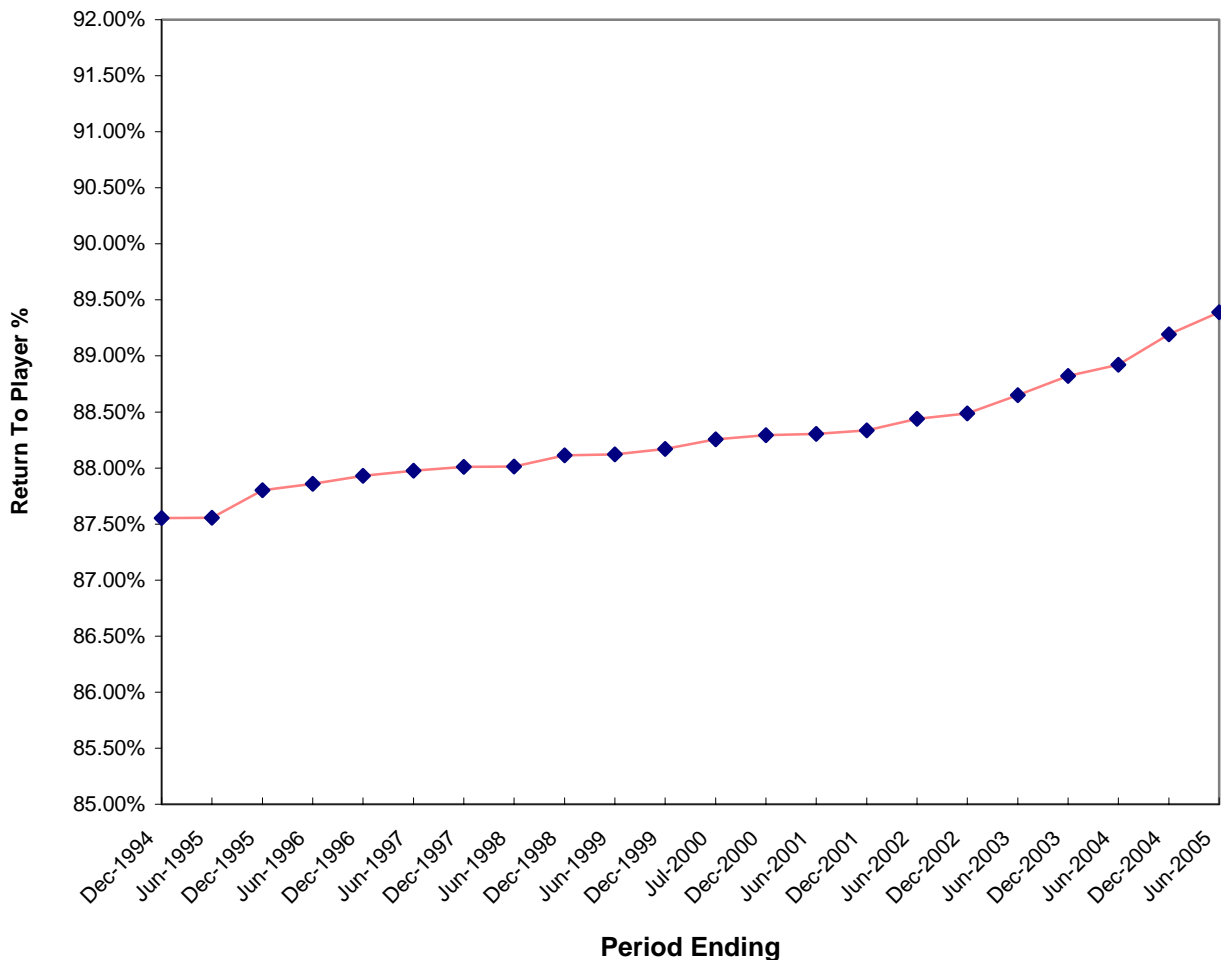
**Table 8 Return to player - 2001 to 2005<sup>1</sup>**

	2000-01	2001-02	2002-03	2003-04	2004-05
Return to Player	88.30%	88.39%	88.57%	88.87%	89.29%

<sup>1</sup> From 1 October 2001 all new games and machines installed after this date, must have a minimum return to player of 87.5% (increased from 85%). While the actual return to player has continued to increase steadily each year, it is expected that this change to the minimum RTP will impact further as older games and machines installed prior to 1 October 2001 are removed and replaced with new games with a minimum return to player of 87.5%.

**Chart 3 Average return to player % - 6 monthly since commencement of gaming**

**AVERAGE RETURN TO PLAYER %  
6 MONTHLY SINCE COMMENCEMENT OF GAMING**



**Table 9 Live venues and machines - 2001 to 2005**

	<i>30 Jun 01</i>	<i>30 Jun 02</i>	<i>30 Jun 03</i>	<i>30 Jun 04</i>	<i>30 Jun 05</i>
No of venues	587	592	596	593	585
No of machines	14,096	14,647	14,841	14,799	14,062

**Table 10 Number of clubs by machine range - 2001 to 2005**

<i>No of machines</i>	<i>30 Jun 01</i>	<i>30 Jun 02</i>	<i>30 Jun 03</i>	<i>30 Jun 04</i>	<i>30 Jun 05</i>
1 to 10	30	31	30	30	29
11 to 20	29	27	27	27	26
21 to 30	7	8	8	8	9
31 to 40	20	21	23	22	21
Total	86	87	88	87	85

**Table 11 Number of hotels by machine range - 2001 to 2005**

<i>No of machines</i>	<i>30 Jun 01</i>	<i>30 Jun 02</i>	<i>30 Jun 03</i>	<i>30 Jun 04</i>	<i>30 Jun 05</i>
1 to 10	150	137	138	136	133
11 to 20	83	86	85	85	91
21 to 30	41	42	41	41	38
31 to 40	227	240	244	244	238
Total	501	505	508	506	500

**Table 12 Gaming venues by business type - 2001 to 2005**

<i>No of venues</i>	<i>30 Jun 01</i>		<i>30 Jun 02</i>		<i>30 Jun 03</i>		<i>30 Jun 04</i>		<i>30 Jun 05</i>	
		<i>%</i>		<i>%</i>		<i>%</i>		<i>%</i>		<i>%</i>
Hotels	501	85.3	505	85.3	508	85.2	506	85.3	500	85.5
Clubs	86	14.7	87	14.7	88	14.8	87	14.7	85	14.5
Total	587		592		596		593		585	

Table 13 **Gaming machines by business type - 2001 to 2005**

No of venues	30 Jun 01		30 Jun 02		30 Jun 03		30 Jun 04		30 Jun 05	
		%		%		%		%		%
Hotels	12,454	88.3	12,957	88.5	13,084	88.1	13,075	88.4	12,363	87.9
Clubs	1,642	11.7	1,690	11.5	1,757	11.9	1,724	11.6	1,699	12.1
<b>Total</b>	<b>14,096</b>		<b>14,647</b>		<b>14,841</b>		<b>14,799</b>		<b>14,062</b>	

Chart 4 **Growth in gaming venues**

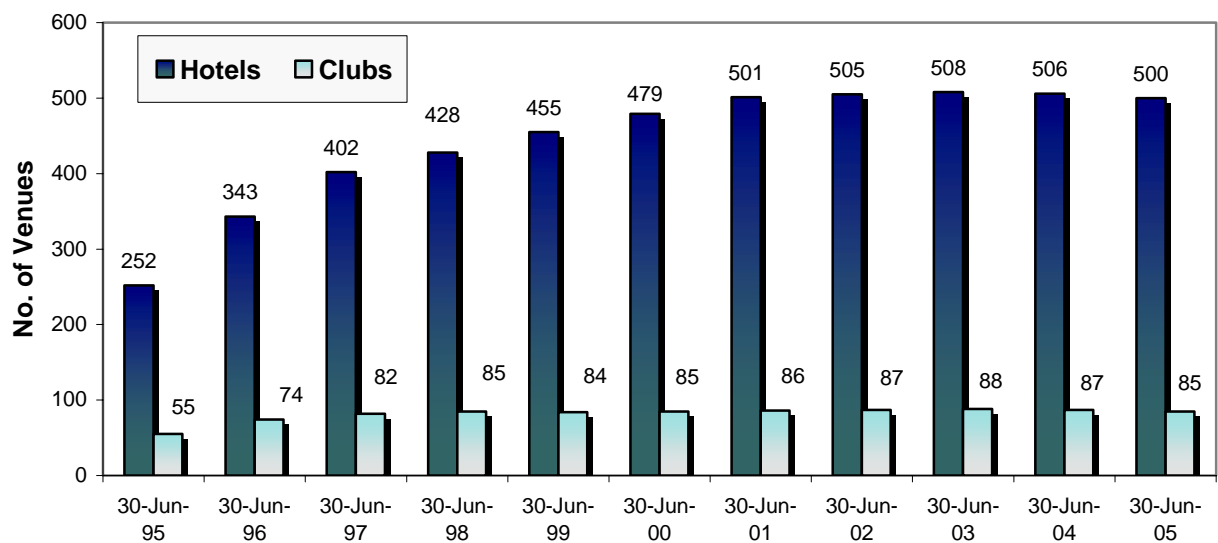


Chart 5 **Growth in gaming machines installed**

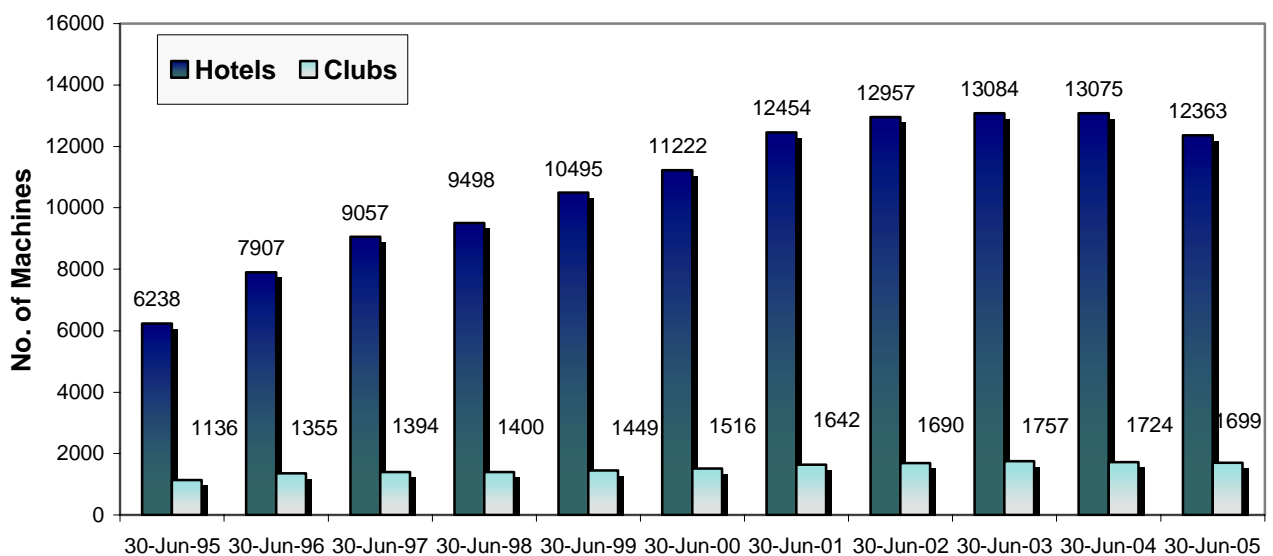


Table 14 **Average growth in operating machines - 2001 to 2005**

	2000-01	2001-02	2002-03	2003-04	2004-05
Monthly average number of machines installed	113	46	16	-1	-61

Table 15 **Manufacturer's share of gaming machine market - 2001 to 2005**

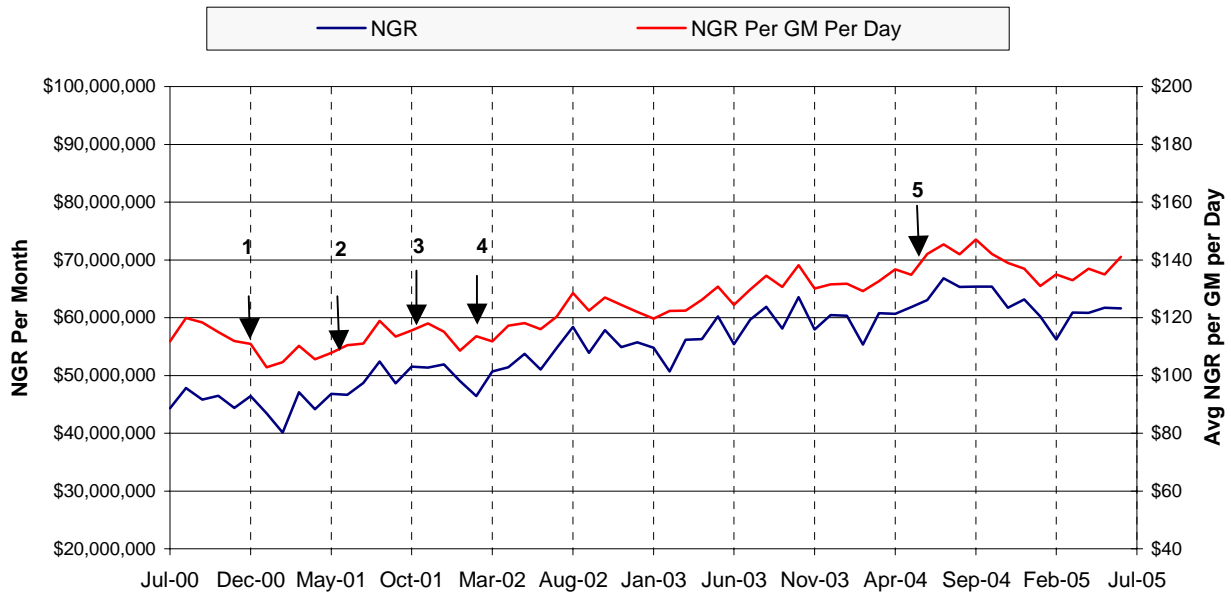
	Jun 01	Jun 02	Jun 03	Jun 04	Jun 05
Aristocrat	9,827	10,479	10,468	10,168	9,529
IGT	1,659	1,772	1,932	2,242	2,450
Konami	292	466	876	1,021	1,091
Ainsworth	-	-	93	307	299
Pacific	523	582	446	342	272
VGS	158	260	265	227	206
Olympic	947	649	414	260	181
Datacraft	629	403	262	162	103
Atronic	66	70	81	85	69
Vidco	33	12	1	0	0
Total <sup>1</sup>	14,134	14,693	14,838	14,814	14,200

<sup>1</sup> The total number of gaming machines for June of each year as shown above, may be higher than the amount reported in Table 9 as the number of machines installed in venues as at the 30 June each year. The data shown in Table 9 above takes into account data on any machine installed at any time during June with the difference due to machines being installed and removed from venues.

Chart 6 **Impact of harm minimisation measures on net gambling revenue**

The growth in Net Gambling Revenue (NGR) has increased every year since gaming commenced in 1994. With the exception of 1996-97 the average net gambling revenue per machine per day has also increased on an annual basis from \$98 for the 1994-95 financial year to \$139 for the 2004-05 financial year.

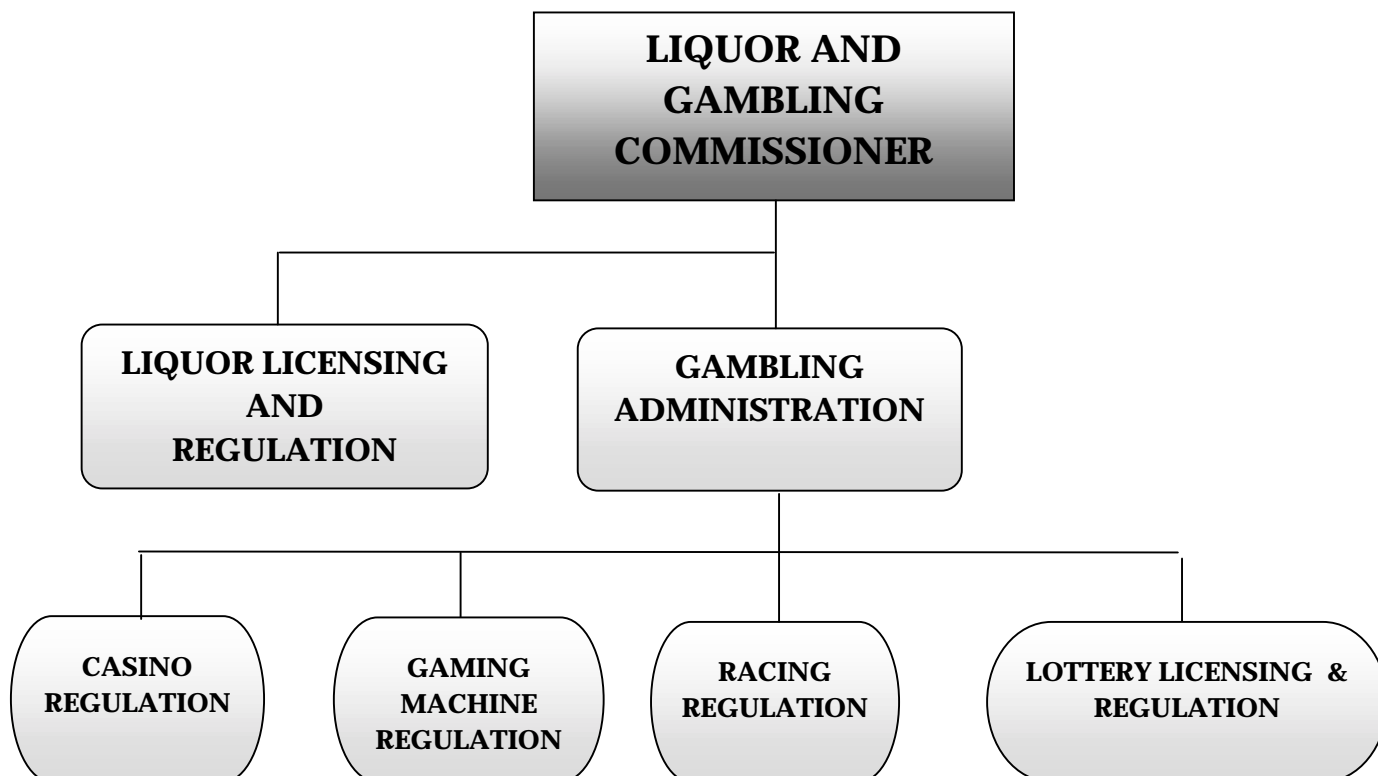
These figures continue to increase despite the significant number of harm minimisation and responsible gambling measures introduced in recent years as depicted graphically below.



### Chronology of Responsible Gambling Measures

- Event 1: 7/12/2000 Commencement of legislation preventing the granting of new gaming machine licenses.
- Event 2: 30/05/2001 *Statutes Amendment (Gambling Regulation) Act 2001* is passed.
- Event 3: 01/10/2001 First mandatory versions of the Responsible Gambling Code of Practice and the Advertising Code of Practice introduced. Key elements of the codes were:
- clocks to be displayed in gaming areas
  - players to be prevented from playing while intoxicated
  - mandatory training requirements
  - cheques not to be cashed in gaming areas
- 01/10/2001 Minimum Return To Player on all newly approved games increased to 87.5% from the previously approved rate of 85%
- 01/10/2001 Applications for new games must be refused if they are deemed to have characteristics that are likely to lead to an exacerbation of problem gambling.
- 01/10/2001 Voluntary Barring system introduced.
- Event 4: 01/01/2002 Licensees are not to provide ATM or EFTPOS facilities that are capable of allowing more than \$200 per transaction per debit or credit card.
- 01/01/2002 Autoplay function removed from all South Australian gaming machines by this implementation date.
- Event 5: 30/04/2004 New Mandatory Codes of Practice introduced.

## 16. ORGANISATION CHART



---

## 17. CONTACTS

### OFFICE OF THE LIQUOR AND GAMBLING COMMISSIONER

LOCATION	Level 9, East Wing 50 Grenfell Street ADELAIDE SA 5000
POSTAL ADDRESS	GPO Box 2169 ADELAIDE SA 5001 DX 363
FACSIMILE	(08) 8226 8331
PHONE NUMBERS	
GENERAL INQUIRIES	<b>(08) 8226 8410</b>
COMPLAINTS	(08) 8226 8476
EVALUATION OF GAMING MACHINES	(08) 8226 8447
GAMING MACHINE MALFUNCTIONS	(08) 8226 8447
GAMING TAX & STATISTICS	(08) 8226 8464
INSPECTORATE	(08) 8226 8480
LICENCE APPLICATIONS	(08) 8226 8410
PERSON APPROVALS	(08) 8226 8474
RECORD KEEPING REQUIREMENTS	(08) 8226 8464



