

**Consumer and
Business Services**

Approved Trading System

Review of Trading Round 15/2017



Government of South Australia
Attorney-General's Department

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BACKGROUND

History of the Approved Trading System

In December 2004, the South Australian Parliament passed legislation to reduce the number of gaming machines that may be lawfully operated in South Australia.

The legislation also introduced the concept of a gaming machine entitlement and a trading scheme to enable gaming machine licensees to trade these entitlements at a fixed purchase price, provided that every fourth entitlement sold in a trading round was cancelled if sold by a profit organisation (i.e. a Hotel) or transferred to Club One if sold by a non-profit association (i.e. Club or Community Hotel).

As a result of this legislation, the total number of gaming machines able to be operated in South Australia was reduced by 2 218 to 12 900 including 50 gaming machine entitlements which were cancelled as a result of trading rounds conducted in 2005 and 2007.

On 14 July 2011, the fixed price trading system was replaced with the current approved trading system which uses a price determined on a round by round basis according to market conditions where—

- an eligible person is able to make an offer to purchase a gaming machine entitlement by specifying a maximum price that they are willing to pay for each gaming machine entitlement;
- an eligible person is able to make an offer to sell a gaming machine entitlement by specifying a minimum price that they are willing to accept for each gaming machine entitlement offered for sale;
- every fourth gaming machine entitlement sold in a trading round by profit organisations (i.e. hotels) will be cancelled; and
- every fourth gaming machine entitlement sold in a trading round by non-profit associations (i.e. clubs and community hotels) will be transferred to Club One, the holder of the Special Club Licence. Further information about Club One is available from www.clubone.net.au.

South Australian Gambling Reforms

On 25 July 2013, the *Statutes Amendment (Gambling Reform) Act 2013* was passed by Parliament, aimed at improving regulatory and responsible gambling measures for gaming venues and reducing red tape.

In particular, from 1 January 2014 these amendments—

- extended the concept of a gaming machine entitlement to the gaming machine operations of the Adelaide Casino;
- required the Adelaide Casino to be granted 995 non-transferrable gaming machine entitlements, being equivalent to the maximum number of gaming machines which could be operated at the Casino on 31 December 2013;
- established a state-wide cap objective of 13,081 gaming machine entitlements which covers all gaming sector venues, inclusive of the 995 entitlements granted to the Adelaide Casino;
- allow the Adelaide Casino access to the Approved Trading System, where it is able to buy and sell transferrable gaming machine entitlements; and
- allow Club One, on application, to place gaming machine entitlements at the Adelaide Casino under a contractual arrangement approved by the Liquor and Gambling Commissioner.

Adelaide Casino

On 14 February 2014, amendments were made to the Adelaide Casino Approved Licensing Agreement (ALA) and Casino Duty Agreement (CDA) in relation to—

- the gaming operations of the casino;
- the terms and conditions of the casino licence;
- the responsibilities of the casino licence holder; and
- taxation arrangements.

These agreements will assist SKYCITY Adelaide Pty Ltd to undertake an expansion of the Adelaide Casino premises including an increase in the maximum number of gaming machines which may be operated from 995 to 1500 gaming machines, the ability to operate 200 gaming tables and a hotel development project.

To allow for the operation of any additional gaming machines, the Adelaide Casino will initially be required to purchase the additional 505 entitlements through the Approved Trading System.

If however, the Adelaide Casino is unable to reach specific targets under the Approved Trading System within agreed timeframes, a number of gaming machine entitlements can be sold directly to the Adelaide Casino to enable it to proceed with the expansion of its facility. These gaming machine entitlements will only be able to be used in premium gaming areas of the Casino and are unable to be sold under the Approved Trading System.

Cancellation of Trading Round 14/2017

On 3 August 2017, the Liquor and Gambling Commissioner established a trading round for the purchase and sale of gaming machine entitlements known as Trading Round 14/2017. Offers to purchase or sell entitlements in this trading round were invited from persons eligible to do so in accordance with the Gaming Machines Regulations 2005.

The closing date and time for the submission of offers was Friday 8 September 2017 at 5.00pm. Participants in this trading round were advised on the Trading Day, being 12 October 2017, that the Purchaser Price had been determined as \$21,000.00 (plus GST) and the Vendor Price as \$15,825.00 (plus GST).

Having subsequently found an administrative error in the trading round process, the Commissioner determined that the results of Trading Round 14/2017 were not effective and as a result cancelled the trading round in accordance with Regulation 5E(3) of the Gaming Machines Regulations 2005.

A notice was published in the Government Gazette and all participants in this trading round advised of the cancellation on 12 October 2017. All administration fees were refunded.

ESTABLISHMENT OF TRADING ROUND 15/2017

On 31 October 2017, the Liquor and Gambling Commissioner formally established Trading Round 15/2017 by—

- determining the closing date for the submission of offers to purchase or sell entitlements;
- determining the date of the Trading Day;
- establishing a trading team under the supervision of a delegate of the Commissioner, to assume responsibility for the administration and conduct of the trading round;
- approving a Communications Plan;
- approving application forms for the submission of offers;
- publishing the formal notice of the announcement of the trading round in the Government Gazette.

SIGNIFICANT DATES AND EVENTS

Timetable

The timetable for Trading Round 15/2017 was as follows—

Event	Date
Announcement of Trading Round 15/2017	31 October 2017
Closing date for the submission of offers to purchase or sell	16 November 2017
Drawing of lots for identical offers	4 December 2017
Trading Day	7 December 2017
Due date for payment by successful purchasers	21 December 2017
Payment to successful vendors initiated	4 January 2018
Transfer of entitlements to successful purchasers initiated	8 January 2018

Announcement of Trading Round

A copy of the announcement notice was published in the Government Gazette on 31 October 2017 and sent to all holders of gaming machine licences, the casino licensee, the holder of the special club licence (Club One), various industry and community representative bodies and to persons who had subscribed to the CBS email subscription service ('Heads Up').

Administration Fee

For Trading Round 15/2017, an administration fee of \$110 was fixed by the Commissioner and was payable in respect of each gaming machine entitlement that an applicant offered to purchase. To ensure the integrity of offers submitted, all applications remained sealed until after the closing date and time for the submission of offers.

Once opened, administration fees were processed and each applicant provided with a written acknowledgement to confirm that their application had been opened.

All applicants who submitted offers to purchase gaming machine entitlements paid the correct administration fee in full.

OUTCOME OF TRADING ROUND

Acceptance of Offers

18 gaming venues submitted offers to sell 202 gaming machine entitlements. The following tables indicate the composition of these offers by venue type and by venue locality:

Venue Type	No. Of Venues	Offers
Offers To Sell By Profit Venues (Hotels and Casino)	9	98
Offers To Sell By Non-Profit Venues (Clubs, Community Hotels, Club One)	9	104
TOTAL APPLICATIONS TO SELL	18	202

Location	No. Of Venues	Offers
Metropolitan Venues	7	144
Non-Metropolitan Venues	11	58
TOTAL APPLICATIONS TO SELL	18	202

16 gaming venues submitted offers to purchase 68 gaming machine entitlements. The following tables indicate the composition of these offers by venue type and by venue locality:

Venue Type	No. Of Venues	Offers
Offers To Purchase By Profit Venues (Hotels and Casino)	15	65
Offers To Purchase By Non-Profit Venues (Clubs, Community Hotels, Club One)	1	3
TOTAL APPLICATIONS TO SELL	16	68

Location	No. Of Venues	Offers
Metropolitan Venues	15	64
Non-Metropolitan Venues	1	4
TOTAL APPLICATIONS TO SELL	16	68

The identity of individual venues and respective offers by licence holders have not been disclosed so as to preserve the integrity of the market price trading system.

Rejection / Withdrawal of Applications

The regulations provide that the Commissioner has discretion to reject (at any time before the trading day for a trading round) an offer to sell or purchase a gaming machine entitlement in the trading round if the intending vendor or purchaser is subject to disciplinary proceedings under the *Gaming Machines Act 1992* or there is some other good reason to do so.

In Trading Round 15/2017, no applications to purchase or sell gaming machine entitlements were rejected by the Commissioner or withdrawn by the applicant.

Drawing of Lots

There were multiple offers to purchase or sell gaming machine entitlements at the same amount. As a result, the order in which offers were traded was determined in accordance with the regulations by the drawing of lots. An independent government scrutineer was in attendance who certified that the drawing of lots was conducted in accordance with Regulations 5F(c) and (g) of the Gaming Machine Regulations 2005.

Trading Day

Based on the successful offers to purchase and sell entitlements, the Commissioner determined the prices for Trading Round 15/2017 as:

- Purchaser Price (the amount that purchasers would pay) \$18,277.50 (plus GST)
- Vendor Price (the amount that sellers would receive) \$13,708.13 (plus GST)

The regulations provide that every fourth gaming machine entitlement sold in the trading round by—

- profit organisations will be cancelled; and
- non-profit associations will be transferred to Club One.

Further, the regulations require that any remainder of entitlements sold by non-profit associations in a trading round (i.e. after dividing the number sold by four) is to be carried over and taken into account in future trading rounds as if they had been sold in that trading round by non-profit associations.

In Trading Round 15/2017, non-profit associations were taken to have sold 19 entitlements. In accordance with the regulations, the remainder, after dividing the number of entitlements taken to have been sold by non-profit associations by four, was three.

This remainder will therefore be carried over and taken to have been sold by non-profit associations in the next Trading Round.

As a result of Trading Round 15/2017—

- 52 entitlements were sold by five profit organisations;
- 13 entitlements were cancelled (being every fourth entitlement sold by profit organisations);
- 17 entitlements were sold by two non-profit associations;
- 4 entitlements were transferred to Club One (being every fourth entitlement taken to have been sold by non-profit organisations); and
- 52 entitlements were allocated to 15 successful profit organisation purchasers and one successful non-profit organisation purchaser.

The maximum number of gaming machines that may be operated in South Australia has reduced to 13,780 (inclusive of 1,080 gaming machines which may now be operated at the Adelaide Casino).

As 13 gaming machine entitlements were cancelled in Trading Round 15/2017, the number of entitlements which need to be cancelled to meet the state-wide statutory cap objective is 699.

Allocation of Entitlements

All applicants were advised in writing of the amount of the Purchaser Price and Vendor Price and whether their respective offers had been accepted. A summary of the results was also published on the CBS website and provided to industry representative bodies.

The allocation of 52 entitlements successfully purchased in this trading round are detailed below—

ALLOCATION OF ENTITLEMENTS TO PURCHASERS		
Number Of Entitlement Holders	Number of Entitlements Purchased (per licence holder)	Total Entitlements Purchased
5	1	5
1	2	2
5	3	15
2	4	8
1	5	5
1	7	7
1	10	10
16		52

The receipts of entitlements from vendors are detailed below:

RECEIPT OF ENTITLEMENTS FROM VENDORS		
Number Of Entitlement Holders	Number of Entitlements Sold (per licence holder)	Total Entitlements Sold
1	4	4
1	5	5
1	7	7
1	9	9
2	10	20
1	24	24
7		69

A register of all gaming machine entitlements held in South Australia and the venues at which those entitlements are held is available for viewing on the CBS website at www.cbs.sa.gov.au.

Payments

Applicants who successfully purchased gaming machine entitlements in this trading round were required to pay to the Commissioner the Purchaser Price of \$18,277.50 (plus GST) for each entitlement allocated to them by 21 December 2017.

All payments were received in full, being \$1,045,473.00 (including GST) as payment from 16 purchasers for 52 gaming machine entitlements.

By 8 January 2018 the entitlement holders who successfully sold gaming machine entitlements had been paid the Vendor Price of \$13,708.13 (plus GST) for each entitlement sold in the trading round.

A total amount of \$1,040,447.07 (including GST) was distributed to seven sellers as payment for 69 gaming machine entitlements.

Gamblers Rehabilitation Fund

The regulations require that any difference between the aggregate of the amounts paid by purchasers and the aggregate of the amounts paid to vendors for gaming machine entitlements sold in the trading round is payable as commission into the Gamblers Rehabilitation Fund (GRF).

For Trading Round 15/2017, \$5,025.93 (including GST) was payable as commission to the GRF.

CONDUCT OF TRADING ROUND

CBS Trade Team

The CBS Trade Team managed all aspects of Trading Round 15/2017 and a similar team will be formed for the next trading round.

Communications Strategy

The communications strategy continued to prove effective, particularly having a dedicated telephone enquiries line and email address for licensees and other interested parties.

Information was disseminated by direct mail-out and email to licensees, through the CBS website and to subscribers of the CBS email information bulletin 'Heads Up'.

In addition, a trading round specific information guide to assist persons who wish to participate in a trading round is available on the CBS website at any time (not just when a trading round is being conducted).

Transaction Costs

CBS only accepts payment for the purchase of gaming machine entitlements by Electronic Funds Transfer (EFT) or Bank Cheque.

Restricting payment for entitlements to EFT or Bank Cheque will enable CBS to keep the administration fee charged to all purchasers as low as possible and allow payments to sellers to be made in a timely manner.

Administration Fee

Under the Approved Trading System the Commissioner must, for each trading round, fix an administration fee which is payable in respect of each gaming machine entitlement that an applicant offers to purchase.

There is no fee to sell an entitlement.

On commencement of the new Approved Trading System in July 2011, the Administration Fee for each trading round was fixed at \$100.00. Following a review of this fee prior to Trading Round 6/2014, it was subsequently increased to \$110.00.

Prior to the announcement of the next trading round, the Commissioner will determine whether this amount should be varied and if so, fix a revised Administration Fee.

Summary of Trading Round Results

A summary of trading round results since the commencement of the new Approved Trading System in July 2011 is available from the CBS website at www.cbs.sa.gov.au and shown in the following tables—

RESULTS OF GAMING MACHINE ENTITLEMENT TRADING ROUNDS 2012 TO 2014

Trading Round	1/2012	2/2012	3/2013	4/2013	5/2014	6/2014	7/2014
Offers Open	29 Mar 2012	8 Nov 2012	28 Mar 2013	5 Sep 2013	23 Jan 2014	22 May 2014	11 September 2014
Offers Close	4 May 2012	21 Dec 2012	10 May 2013	11 Oct 2013	3 Mar 2014	27 June 2014	17 October 2014
Trading Day	14 Jun 2012	31 Jan 2013	13 Jun 2013	14 Nov 2013	3 Apr 2014	31 July 2014	20 November 2014
Total Number Of Entitlements Held Prior To Trading Round	12 900	12 887	12 862	12 856	13 847 ¹	13 846	13 839
Offers To Sell	472	429	311	159	235	254	121
Offers To Purchase	96	94	45	36	7	36	82
Entitlements Sold	81	116	57	42	9	42	24
Entitlements Purchased	61	87	43	32	7	32	32
Entitlements Cancelled	13	25	6	4	1	7	4
Entitlements Transferred To Club One	7	3	9 ²	6	1	3	4
Purchaser Price (plus GST)	\$72,630.30	\$60,000.00	\$51,916.67	\$54,166.67	\$47,525.00	\$40,000.00	\$39,883.33
Vendor Price (plus GST)	\$54,472.73	\$45,000.00	\$38,937.50	\$40,625.00	\$35,643.75	\$30,000.00	\$29,912.50
Amount paid to Gamblers Rehabilitation Fund (GRF)	\$19,972.89	-	\$14,277.25	\$29,791.78	\$13,069.37	\$22,000.00	-
Total Entitlements Held After Trading Round	12 887	12 862	12 856	12 852	13 846	13 839	13 835
Entitlements To Be Cancelled To Meet Statutory Objective	801	776	770	766	765	758	754

¹ Includes 995 non-transferrable entitlements allocated to the Adelaide Casino on 1 January 2014

² Includes one entitlement which remained available from Trading Round 2/2012 to be vested in Club One

RESULTS OF GAMING MACHINE ENTITLEMENT TRADING ROUNDS 2015 TO 2017

Trading Round	8/2015	9/2015	10/2015	11/2016	12/2016	13/2017	14/2017
Offers Open	15 January 2015	21 May 2015	10 Sept 2015	25 Feb 2016	21 July 2016	2 Mar 2017	3 Aug 2017
Offers Close	20 February 2015	26 June 2015	16 Oct 2015	1 Apr 2016	26 Aug 2016	7 April 2017	7 Sept 2017
Trading Day	26 March 2015	30 July 2015	19 Nov 2015	5 May 2016	29 Sept 2016	11 May 2017	12 Oct 2017
Total Number Of Entitlements Held Prior To Trading Round	13 835	13 827	13 816	13 802	13 793	13 793	Trading Round Cancelled 12/10/2017
Offers To Sell	135*	125	165	137	131	185	
Offers To Purchase	37*	71	89	59	14	64	
Entitlements Sold	49	52	86	52	18	54	
Entitlements Purchased	37	39	65	39	14	41	
Entitlements Cancelled	8	11	14	9	0	0	
Entitlements Transferred To Club One	4	2	7	4	4	13	
Purchaser Price (plus GST)	\$38,283.33	\$38,833.33	\$37,250.00	\$34,916.67	\$31,166.67	\$22,751.33	
Vendor Price (plus GST)	\$28,712.50	\$29,125.00	\$27,937.50	\$26,187.50	\$23,375.00	\$17,063.50	
Amount paid to Gamblers Rehabilitation Fund (GRF) (plus GST)	\$9,570.71	-	\$18,625.00	-	\$15,583.38	\$11,375.53	
Total Entitlements Held After Trading Round	13 827	13 816	13 802	13 793	13 793	13 793	13793
Entitlements To Be Cancelled To Meet Statutory Objective	746	735	721	712	712	712	712

RESULTS OF GAMING MACHINE ENTITLEMENT TRADING ROUNDS SINCE OCTOBER 2017

Trading Round	15/2017	16/2018	TBA	TBA	TBA	TBA	TBA
Offers Open	31 October 2017	TBA					
Offers Close	16 November 2017						
Trading Day	7 December 2017						
Total Number Of Entitlements Held Prior To Trading Round	13 793						
Offers To Sell	202						
Offers To Purchase	68						
Entitlements Sold	69						
Entitlements Purchased	52						
Entitlements Cancelled	13						
Entitlements Transferred To Club One	4						
Purchaser Price (plus GST)	\$18,277.50						
Vendor Price (plus GST)	\$13,708.13						
Amount paid to Gamblers Rehabilitation Fund (GRF)	\$5,025.93						
Total Entitlements Held After Trading Round	13 780						
Entitlements To Be Cancelled To Meet Statutory Objective	699						

NEXT TRADING ROUND

It is anticipated that an announcement about the next trading round will be made in April 2018.

A copy of the announcement notice will be sent to all holders of gaming machine licences, gaming machine entitlements, the casino licensee, the holder of the special club licence (Club One), various industry and community representative bodies and to persons who have subscribed to the CBS e-notification subscription service.

FURTHER INFORMATION

Non-media enquiries about the approved trading system can be made by contacting the Consumer and Business Services (CBS) Trade Team by:

Telephone: (08) 8204 9442

Email: gmetrade@sa.gov.au

Website: www.cbs.sa.gov.au

All media enquiries should be directed to the CBS Media Unit on 0422 007 069.



Dini Soulio
Liquor and Gambling Commissioner

08 March 2018