



Government
of South Australia

*Office of the Liquor and
Gambling Commissioner*

OFFICE OF THE LIQUOR AND GAMBLING COMMISSIONER

GAMING MACHINES ACT 1992

ANNUAL REPORT 2002-2003



Office of the Liquor and Gambling Commissioner

September 2003

The Honourable Jay Weatherill MP
Minister for Gambling
12th Floor, Terrace Towers
178 North Terrace
ADELAIDE SA 5000

**Liquor Licensing
Gambling Administration
Casino Regulation**

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

Telephone: 061 + 08 8226 8410
Facsimile: 061 + 08 8226 8512

GPO Box 2169
ADELAIDE SA 5001
DX 363
Email: olgc@agd.sa.gov.au

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 2003.

Yours faithfully

A handwritten signature in black ink, appearing to read "W.A. Pryor", with a long horizontal flourish extending to the right.

W.A. PRYOR
LIQUOR AND GAMBLING COMMISSIONER

CONTENTS

1.	INTRODUCTION.....	3
1.1	Support for harm minimisation measures.....	3
2.	LEGISLATIVE AMENDMENTS.....	4
2.1	Gaming Machines (Limitation on Exception to Freeze) Amendment Act 2002.....	4
2.2	Gaming Machines (Roosters Club Incorporated Licence) Amendment Act 2003.....	4
2.3	Statutes Amendment (Renaissance Tower - Gaming and Liquor Licences) Bill 2003.....	5
2.4	Gaming Machines (extension of Freeze) Amendment Act 2003.....	6
3.	RESPONSIBLE GAMBLING.....	7
3.1	ATM & EFTPOS withdrawal limits.....	7
3.1.1	Limits of \$200.....	7
3.1.2	Limits greater than \$200.....	7
3.2	Removal of Autoplay buttons.....	8
3.3	Approval of games.....	8
3.3.1	Application for approval of a game - IGT.....	8
3.3.2	Application for approval of a game - Konami.....	9
4.	GAMING LICENCES.....	10
4.1	Gaming machine licences.....	10
4.2	Gaming machine monitor licence.....	10
4.2.1	Monitoring system.....	10
4.2.2	System upgrade.....	10
4.2.3	Secure internet based customer reporting facility.....	10
4.2.4	Information data port.....	11
4.2.5	Fees.....	11
4.2.6	Gamblers' Rehabilitation Fund.....	11
4.2.7	Board members.....	11
4.3	Gaming machine supplier's licence.....	11
4.4	Gaming machine service licence.....	12
4.5	Gaming machine dealer's licence.....	12
5.	APPROVAL OF PERSONS.....	13
5.1	Applications for approval.....	13
5.1.1	Applications refused.....	13
5.1.2	Approvals revoked.....	13
6.	MONITORING AND COMPLIANCE.....	14
6.1	Gaming machine venues (hotels and clubs).....	14
6.1.1	Inspections.....	14
6.1.2	Training.....	14
6.1.3	Gaming machine monitors.....	15
6.2	Monitoring system.....	15
7.	APPROVALS OF GAMES AND MACHINES.....	16
7.1	Testing and evaluation of gaming machines.....	16
7.2	National standard for gaming machines.....	16
7.3	Manufacturer support for gaming machines.....	17

8.	COMPLAINT INVESTIGATIONS.....	18
8.1	Summary of complaints.....	18
8.2	Payout disputes and malfunctions.....	18
9.	BARRING.....	19
9.1	Barring under section 59 of the Gaming Machines Act 1992.....	19
9.2	Voluntary barring under Independent Gambling Authority Act 1995.....	19
10.	GAMING TAX.....	20
10.1	Rates.....	20
10.2	Non payment of gaming tax.....	21
10.3	Stamp Duties (Gaming Machine Surcharge) Amendment Act 2002.....	21
11.	DISCIPLINARY ACTION.....	23
11.1	Summary of disciplinary notices issued.....	23
11.2	Summary of disciplinary action taken.....	23
12.	ORGANISATION.....	24
12.1	Organisation structure.....	24
12.2	Staffing.....	24
12.3	Budget Information.....	24
13.	THANKS.....	24
14.	STATISTICS.....	25
Table 1	Monthly gaming statistics 2002-03.....	25
Chart 1	Gaming tax levied per month 2002-03.....	25
Table 2	Monthly gaming machine and venue installations 2002-03.....	26
Chart 2	Monthly gaming machine and venue installations 2002-03.....	26
Table 3	Data by ABS Local Government Area (LGA) 2002-03.....	27
Table 4	Net Gambling Revenue - 1999 to 2003.....	28
Table 5	Gaming tax - 1999 to 2003.....	28
Table 6	Average net gambling revenue per machine per day - 1999 to 2003.....	28
Table 7	Average total net gambling revenue per day type - 1999 to 2003.....	28
Table 8	Return to player - 1999 to 2003.....	29
Chart 3	Average return to player % - 6 monthly since commencement of gaming.....	29
Table 9	Live venues and machines - 1999 to 2003.....	30
Table 10	Number of clubs by machine range - 1999 to 2003.....	30
Table 11	Number of hotels by machine range - 1999 to 2003.....	30
Table 12	Gaming venues by business type - 1999 to 2003.....	30
Table 13	Gaming machines by business type - 1999 to 2003.....	31
Chart 4	Growth in gaming venues.....	31
Chart 5	Growth in gaming machines installed.....	31
Table 14	Average growth in live machines - 1999 to 2003.....	32
Table 15	Manufacturer's share of gaming machine market - 1999 to 2003.....	32
15.	ORGANISATION CHART.....	33
16.	CONTACTS.....	34

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, gaming industry licensees, 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
- review of barring of persons by licensees

1.1 SUPPORT FOR HARM MINIMISATION MEASURES

During the reporting year, I was represented on a number of national forums involved in the development of strategies to address problem gambling, harm minimisation and the responsible provision of gambling services.

These included:

- Responsible Gambling Working Party
- Gambling Research Working Party (of the Ministerial Council on Gambling)

The responsible gambling working party comprises representatives from all Australian States and Territories, the Commonwealth Government and New Zealand.

During the year, the Minister directed that the Independent Gambling Authority assume responsibility for representing South Australia on the Gambling Research Working Party because of its statutory responsibility in relation to research.

2. LEGISLATIVE AMENDMENTS

Three amendments were made to the *Gaming Machines Act 1992* during 2002-03. Two of these were in response to specific issues arising in respect of individual licences. A further bill to amend the Act had not been determined by Parliament as at 30 June 2003.

2.1 *GAMING MACHINES (LIMITATION ON EXCEPTION TO FREEZE) AMENDMENT ACT 2002*

Section 14A of the *Gaming Machines Act 1992* provides for a freeze on granting an application for a new licence or an increase to the number of approved gaming machines if the application was received on or after 7 December 2000. The section also provides for a number of exceptions to the freeze which were required because of the differing provisions of the liquor and gaming legislation in dealing with removal of licences and persons such as landlords and mortgagees carrying on the business. In particular section 14A(2)(b) allows for the grant of a gaming machine licence on surrender of an existing licence, where the liquor licence is removed from one location to another.

An amendment to section 14A was passed on 18 July 2002 which limited this exception to apply only if the removal of the liquor licence was within the same locality. The amendment was introduced in response to an application by the licensee of the Whyalla Hotel to remove the licence to Angle Vale.

The Whyalla Hotel was originally granted a gaming machine licence on 21 December 2000. In March 2002 the liquor and gaming machine licences were transferred to Anport Pty Ltd which made an application under the *Liquor Licensing Act 1997* to remove the liquor licence from its current location at Darling Terrace Whyalla to Heaslip Road Angle Vale, some 500 kilometres away.

The removal application, which was heard by Judge Kelly in the Licensing Court, was granted on 31 May 2002. The licensee then made an application on 5 June 2002 for a gaming machine licence in respect of the premises at the new location in Angle Vale. I ordered that the application be advertised and the matter was set down for hearing on 19 July 2002.

On the same day, 5 June 2002, the *Gaming Machines (Limitation on Exception to Freeze) Amendment Bill 2002* was introduced in Parliament.

The effect of the Bill was to limit the exception to the freeze in section 14A(2)(b)(i) to removal of a liquor licence within the same locality. This caught the application made by Anport Pty Ltd which was before me.

It was stated in the second reading speech that the Bill corrected what was originally intended when section 14A was passed.

The Bill was passed by Parliament on 18 July 2002 and assented to on 25 July 2002. On 5 August 2002 I subsequently refused the application for a gaming machine licence at Angle Vale on the grounds that the application must now fail as a result of the amendment to section 14A.

The licensee subsequently withdrew its application to remove the liquor licence to Angle Vale (thus reinstating both licences back to the original location in Whyalla) and the licences were suspended on request of the licensee. On 30 June 2003 the licensee made an application to remove the liquor licence to Lady Gowrie Drive Whyalla. The licensee also lodged an application for a gaming machine licence at this new location. At the date of this report the matters were yet to be heard.

2.2 *GAMING MACHINES (ROOSTERS CLUB INCORPORATED LICENCE) AMENDMENT ACT 2003*

The Roosters Club had operated a gaming machine licence at Prospect Oval since September 1994.

On 21 August 2001, the Roosters Club applied for the removal of the liquor licence from Prospect Oval to 255 Main North Road Prospect, less than 2km away. At the same time it applied for the grant of a gaming machine licence at the new premises.

The application received two objections, one from No Pokies Campaign (Hon Nick Xenophon) and the other from the Northern Tavern, the holder of a gaming machine licence located within the Regency Plaza (already in existence before the commencement of section 15A).

The Club indicated that it did not wish to remove the liquor licence unless the application for a gaming machine licence was granted and therefore I first dealt with the gaming machine licence application.

I gave a preliminary decision on 7 January 2002 indicating my intention to grant the gaming machine licence on removal of the liquor licence. In doing so, I had regard to section 15A of the *Gaming Machines Act 1992* which prevents a gaming machine licence from being granted if it is located under the same roof as a shop or anywhere within the boundaries of a shopping complex.

The building in which the new premises was to be located is a separate building in close proximity to the Regency Plaza shopping centre (separated by a car park), the Sefton Park shopping centre located over a side street and the North Park Shopping Centre located across Main North Road. I found that the premises did not form part of the shopping complex of Regency Plaza.

The objectors appealed my decision to the Licensing Court Judge who dismissed the appeal on 26 July 2002.

On 18 October 2002, I subsequently granted the removal of the liquor licence held by the Roosters Club from Prospect Oval to 255 Main North Road Prospect and a gaming machine licence at the new location. The gaming machine licence held in respect of Prospect Oval was surrendered. The club commenced trading at the new premises on 23 October 2002.

The Northern Tavern issued a summons in the Supreme Court on 17 May 2002 claiming that my decision was ultra vires and void. It then amended the summons on 22 August 2002 adding a further declaration that I was precluded from granting a licence because of section 14A (freeze provisions). Judgement was given on 29 January 2003 by the Hon. Justice Perry who upheld the Northern Tavern's declaration that the grant of the gaming machine licence is void in that my conclusion in respect of section 15A could not reasonably be formed on the material before him. The Judge refrained from formally pronouncing the declaration to give the club an opportunity to consider its position and possibly appeal given that the club had already commenced trading.

The Roosters Club then appealed Justice Perry's decision to the Full Court. The Full Court dismissed the appeal on 11 April 2003 and granted a stay of proceedings on the basis that the Roosters Club indicated its intention to seek leave to appeal to the High Court. However, on 22 May 2003 the Full Court revoked the previous stays and refused an application for a further stay. On the same day the Government announced its intention to introduce legislation which would allow the Roosters Club to continue to operate in its present location until 31 May 2004 while it finds an alternative site for its gaming operations.

Following the Full Court decision not to stay the proceedings and the announcement by the Government, I took legal advice that the proper course of action was to have regard to the clear statement of intention by the Government and to the draft Bill which was to go before Parliament. As a result, I did not move to revoke the gaming machine licence for the club.

On 27 May 2003 the Government introduced the *Gaming Machines (Roosters Club Incorporated Licence) Amendment Bill 2003* which was passed on 2 June 2003.

2.3 STATUTES AMENDMENT (RENAISSANCE TOWER - GAMING AND LIQUOR LICENCES) BILL 2003

During debate on the Roosters Club Bill, an amendment was introduced in the Legislative Council in relation to the gaming machine licence held in respect of premises at level 6 Renaissance Tower, Rundle Mall.

The licensee of the Renaissance Tower premises (Aaron Pty Ltd) sought to remove the liquor licence (a special circumstances licence) from the Renaissance Tower to premises in King William Street. An application to transfer the liquor and gaming licences to Chelbrie Pty Ltd was lodged at the same time as the above application.

Although the Licensing Court granted a certificate (a judicial promise to grant the licence once the new premises had been completed) in respect of the new premises in King William Street, I indicated that I could not grant a gaming machine licence at the King William Street site because section 15(1)(c) of the Gaming Machines Act provides for the grant of a gaming machine licence to the holder of a special circumstances licence only if -

- (i) - the special circumstances licence was granted on the surrender of a hotel or club licence; and
 - the nature of the undertaking carried out under the licence is substantially similar to that of a hotel or club; or
- (ii) the premises to which the special circumstances licence relates constitute -
 - a major sporting venue; or
 - the headquarters in this State for any particular sporting code and the nature of the undertaking carried out under the licence is substantially similar to that of a licensed club.

The Renaissance Tower gaming machine licence was granted on 22 June 1994 prior to the introduction of legislative amendments to section 15, which narrowed the eligibility criteria for different categories of special circumstances licences. Since the Renaissance Tower never previously held a hotel or club liquor licence and the nature of the undertaking was substantially similar to a restaurant, the holder of the Renaissance Tower licence was therefore not eligible to be granted a new gaming machine licence.

An amendment was introduced as part of the *Gaming Machines (Roosters Club Incorporated Licence) Amendment Bill 2003* which sought to make the holder of the Renaissance Tower special circumstances licence eligible to be granted a gaming machine licence upon removal of the special circumstances liquor licence to other premises.

The amendment was passed by the Legislative Council but was subsequently defeated in the House of Assembly.

Subsequently a separate Bill, the *Statutes Amendment (Renaissance Tower - Gaming and Liquor Licences) Bill 2003* was introduced into the Legislative Council on 5 June 2003.

The legislation was passed by the Council but at the date of this report had not been debated in the House of Assembly.

2.4 GAMING MACHINES (EXTENSION OF FREEZE) AMENDMENT ACT 2003

On 7 December 2000 the *Gaming Machines (Freeze on Gaming Machines) Amendment Act 2000* was passed. The effect of this legislation is to prevent me from granting any applications for new gaming machine licences, or increases in the number of gaming machines approved, if that application was received on or after 7 December 2000.

The freeze was originally in place until 31 May 2001 and was further extended to 31 May 2003. On 26 May 2003, the *Gaming Machines (Extension of Freeze) Amendment Bill 2003* was passed which extended the freeze until 31 May 2004.

3. RESPONSIBLE GAMBLING

As reported in my last annual report a number of new initiatives were introduced as a result of the *Statutes Amendment (Gambling Regulation) Act 2001* which was passed on 30 May 2001.

A number of developments have occurred since my last report.

3.1 ATM & EFTPOS WITHDRAWAL LIMITS

3.1.1 Limits of \$200

From 1 January 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. A limit higher than \$200 may be granted by me if there is good reason to do so.

Extensive discussions took place with the banking industry prior to this date to determine what changes to banking systems would be necessary to facilitate the ATM and EFTPOS limits imposed by the new legislation.

All ATM facilities were able to meet the requirement by 1 January 2002. However, the application to EFTPOS facilities could not be met by all banks by that date. Therefore, I directed all licensees to implement appropriate management procedures to ensure that transactions were not processed for an amount greater than \$200, until such time as banks could comply.

As at 30 June 2003, all banks except one had developed and implemented a technical solution to limit withdrawals from EFTPOS facilities to \$200 (or another designated limit). In all cases the onus is on the licensee to contact his or her bank to initiate the limit.

The remaining bank advised that it was not prepared to develop a solution at this stage. Instead it indicated that it would be taking a 'wait and see' approach to whether similar developments would be occurring in other States.

It was also awaiting the release of a research report commissioned by the Commonwealth Government into ATM and EFTPOS technologies.

The National Australia Bank announced that it would be removing its automatic teller machines from all gambling venues around Australia from 1 October 2003.

3.1.2 Limits greater than \$200

The legislation also allows me to set a limit higher than \$200 if there is good reason to do so.

Factors such as the proximity of the venue to banks or other cash facilities are prime considerations. Generally, higher limits were only approved for venues in country areas where ready access to cash was not available from other financial institutions. Any higher limits approved were subject to ongoing review.

During 2001-02, 38 applications were approved for limits above \$200. If more than one EFTPOS or ATM facility was present in a venue, a higher limit was only approved for one of the facilities.

During 2002-03, a review of the approved limits was undertaken. Licensees were required to provide detailed transaction and bank statements to support their request to maintain the higher limit.

9 licensees did not provide sufficient documentation to support a limit greater than \$200 and those approvals were revoked. 12 licensees had the withdrawal amount reduced from the amount originally approved and the limit for 12 licensees remained unchanged. 5 licensees requested that the higher limit be revoked. A further review of the remaining 24 licensees who have approved higher limits will be undertaken in 2004.

During the review, 2 licensees were found to have allowed withdrawals above the approved limit on more than one occasion. An assurance was sought from both licensees that the breach will not be repeated.

3.2 REMOVAL OF AUTOPLAY BUTTONS

From 1 January 2002 machines are not allowed to be fitted with an Autoplay button. The conversion program to remove Autoplay facilities from machines was completed prior to this date.

Soon after the removal of Autoplay buttons, it was reported that a small number of players were circumventing this restriction by 'jamming' play buttons. On 2 January 2002, I wrote to all gaming licensees advising that jamming play buttons is interfering with the proper operation of a gaming machine and an offence under section 62 of the Act.

As foreshadowed in last year's report, I amended the South Australian Appendix to the Gaming Machine National Standard Rev 5.0, to require that :-

"... each play must be initiated by a distinct and separate activation of the player interface (e.g. play button or touch screen etc.) and the gaming machine must not allow a player to circumvent this requirement by external interference (e.g. jamming play buttons)."

This requirement applies to all new gaming machines and games submitted for approval after 4 July 2002.

I also proposed that such a requirement be included in the body of the Gaming Machine National Standard. Other Australasian regulators and gaming machine manufacturers accepted this proposal and clause 3.9.22a has been inserted into Rev 6.01 of the National Standard :-

"Where Autoplay is prohibited, each play must be initiated by a distinct and separate activation of the player interface (e.g. play button or touch screen etc.) and the gaming machine must not allow a player to circumvent this requirement by external interference (e.g. holding down or jamming play buttons)."

3.3 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.

3.3.1 Application for Approval of a Game - IGT

In February 2002, IGT (Australia) Pty Ltd lodged an application for approval of two new game features - Pro-X standalone mystery progressive jackpot and tokenisation to \$1=1,000 credits. At the time of application, both features were new to the hotel and club gaming market.

Pursuant to section 29(1)(d) of the Act, I directed that the applications be advertised. An objection to both new features was lodged by No Pokies Campaign on the grounds that the games, if approved, would be likely to lead to an exacerbation of problem gambling.

The applications were heard together as much of the evidence and submissions was pertinent to both new features.

On 28 October 2002, I handed down my decision to approve both new features. I did not consider that there had been sufficient evidence put by the objector which could lead me to conclude that these new features were likely to exacerbate problem gambling.

No Pokies Campaign lodged an appeal against my decision with the Licensing Court in November 2002. That matter has not yet been determined.

3.3.2 *Application for Approval of a Game - Konami*

On 30 January 2003, Konami Australia Pty Ltd lodged an application for approval of a new game 'Incan Pyramid Wildfire' - a game providing a standalone mystery progressive jackpot feature.

Pursuant to section 29(1)(d) of the Act, I directed that the application be advertised. An objection to the application was lodged by No Pokies Campaign on the grounds that the game, if approved, would be likely to lead to an exacerbation of problem gambling.

This application is yet to be determined.

4. GAMING LICENCES

4.1 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 2003 there were 596 active gaming machine licences, under the following categories of licence:

474	Hotels
83	Clubs
39	Special Circumstances

A further 13 licences were under suspension for various reasons.

During the reporting year, 4 gaming machine licences were granted. These applications were unaffected by the freeze legislation as they were received prior to 7 December 2000.

4.2 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.

4.2.1 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.

4.2.2 System Upgrade

During the year, IGC modified the gaming machine monitoring system by installing the following software :-

Front End Processor (FEP) Software Ver 4.4 - provides a minor bug fix correcting an exception event handling fault in the previous version of software.

4.2.3 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.

Development and testing of the system was completed late 2001 and approved on 13 December 2001. At 30 June 2003, there were 132 operators and 3 manufacturers utilising the new Secure Internet Based Customer Reporting Facility.

4.2.4 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 207 as at 30 June 2002 to 227 as at 30 June 2003.

4.2.5 Fees

IGC charges an establishment fee for new gaming machine operators. This was maintained at \$1,500 for 2002-03. 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 Treasurer and are reviewed on a regular basis. The Treasurer approved a monitoring fee of \$37.40 per machine per month effective 1 July 2002 to 30 June 2003. This fee contains a GST amount of \$3.40 and remains unchanged from 2001-02.

Given the IGC's community service obligations such as its contribution to the Gambler's Rehabilitation Fund and its donation program, the monitoring fee is competitive.

Over the last six financial years IGC Ltd has made 177 separate grants totalling \$3.72 million to a wide range of South Australian charitable and community organisations. In 2002-03 IGC Ltd made 35 grants totalling \$472,746.

4.2.6 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 Minister for Human Services. The Government provided a further \$1.8 million from Consolidated funds.

4.2.7 Board Members

The Directors of the Independent Gaming Corporation Ltd as at 30 June 2003 were:

- Mr Barry Francis Beazley - Chairman
- Mr Peter John Hurley - Deputy Chairman
- Mr Colin Wayne Dunsford
- Mr Robin James Guy
- Mr Steven Ploubidis
- Mr William Cochrane
- Mr Brett Matthews

My Office continues to have an excellent working relationship with the Independent Gaming Corporation's staff.

4.3 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 2003, the two approved agents of the Board were:

- James MacGuire
- John Leaton Harris

4.4 *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. Getronics Australia Pty Ltd and AWA Gaming Services Pty Ltd (trading as Jupiters Gaming Services) were the Board's approved agents for 2002-03.

During the year, the State Supply Board announced that it would not be renewing its contract with Getronics Australia Pty Ltd which was due to expire on 30 June 2003. The Board announced its intention to appoint a new agent, Bytecraft Systems Pty Ltd. Following probity investigations, Bytecraft was approved on 20 December 2002. However, Bytecraft did not formally commence carrying out duties until 1 July 2003.

The following subcontractors were approved as subcontractors to Bytecraft in June 2003 to operate effective from 1 July 2003. All of these sub-contractors were previously approved as subcontractors to Getronics.

- BGS Tech
- Clarke GI & JV
- Darren Smith Electrical
- Daryl Newbold
- David Bird Electronics
- Donna's Electrical Services
- Electec Pty Ltd
- Fleet Electronic Services Pty Ltd
- Green Triangle Electronics
- Island Television Services
- Mike Maylin Electrical
- Murray Computer & Office Shop Pty Ltd
- Oaklands Electrical
- Outback Electronics
- Riverland Gaming
- SYP Refrigeration
- Tospa Pty Ltd (t/as Office National)
- West Coast Electronics

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
- Video Lotteries Consultants Inc
- Video Lotteries Technologies Inc
- Getronics Australia Pty Ltd
- AWA Gaming Services Pty Ltd (t/as Jupiters Gaming Services)
- IGA Technology Pty Ltd
- Iocane Pty Ltd
- IBM Ltd
- Computer Site Services

4.5 *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:

- Tower Gaming

There are 18 gaming machine dealer's licences granted as at 30 June 2003. Of these, 12 actively operated in the South Australian market. Eight of these manufacture gaming machines.

At 30 June 2003, there were two outstanding applications for approval of a gaming machine dealer's licence - Stargames Pty Ltd and Astute Marketing Pty Ltd.

5. APPROVAL OF PERSONS

As at 30 June 2003, a total of 7438 persons are approved under the *Gaming Machines Act 1992*.

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.

5.1 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.

5.1.1 Applications Refused

During 2002-03 one application for approval as a gaming machine manager and one application for approval as a gaming machine employee were refused following intervention by the Commissioner of Police.

5.1.2 Approvals Revoked

Under section 44, I may revoke an approval of a person on such ground or for such reasons as I think fit.

During 2002-2003 3 approvals for gaming machine managers and 4 approvals for gaming machine employees were revoked.

In all cases the grounds for revocation were charges or allegations of larceny.

6. MONITORING AND COMPLIANCE

6.1 GAMING MACHINE VENUES (HOTELS AND CLUBS)

6.1.1 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 2002-03 a total of 1006 inspections were conducted of the State's 596 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

All gaming machine venues were inspected at least once during 2002-03.

Matters which form part of routine inspections include:

- ensuring that the layout of the gaming area conforms with the approved layout
- ensuring that cash facilities are located outside of the designated gaming area
- ensuring that signage including warning notices to minors is prominently displayed
- ensuring that approved persons are wearing appropriate identification
- ensuring that the area is adequately supervised
- ensuring that gaming machine log books have been properly completed
- ensuring that gaming machines are in acceptable operating condition
- ensuring that 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
- ensuring that the licensee is complying with the Responsible Gambling Code of Practice (including training)

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

In setting the inspection and compliance program, I 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.

6.1.2 Training

As reported last year, mandatory training requirements were introduced as part of the Responsible Gambling Code of Practice for all persons approved as a gaming machine employee, gaming machine manager, director or committee member of a gaming machine venue. The licensee of the venue is responsible for ensuring that staff meet the training requirements.

Training is required in two areas:

- operation of machines, and
- responsible gambling

If a person's approval was granted prior to 1 January 2002 then training must have either already been undertaken, or must have been completed by 1 October 2002. If the approval was granted after 1 January 2002 then training must be completed within 6 months of the approval.

A compliance program commenced on 1 October 2002 whereby licensees are required to provide to an inspector, copies of certificates or transcripts of academic record from training providers showing that training has been completed for each relevant staff member. As at 30 June 2003, 361 venues had been inspected for compliance with the training requirements.

It is disappointing to report that the level of compliance with this new requirement has been and continues to be poor. However, the ability of inspectors to check for compliance has been hampered by a significant time lag by training providers supplying certificates to students. Compliance in country areas is a particular concern although it is recognised that there are difficulties associated with travel and access to training venues in these areas.

Since 1 October 2002 a total of 93 notices of proposed disciplinary action under section 36 were issued in relation to non-compliance with the training requirements. In most cases non-compliance related to only a small number of the total approved staff at the venue. In the majority of cases disciplinary action was not proceeded with as confirmation was later received from training providers that staff had completed the courses.

6.1.3 *Gaming Machine Monitors*

The routine inspections of gaming venues include a basic assessment of the presentation and operation of all gaming machines, i.e. a visual check of video monitors, button panels and lamps, artwork lighting etc.

The quality of a video monitor will degrade with use over time. Inspection reports indicate that a significant number of licensees continue to operate gaming machines with faulty or worn out video monitors. This can result in a dull, dark or blurry video display, missing or incorrect colours, visual interference and inaccurate geometry.

Where a video monitor is found to be faulty or worn beyond an acceptable standard, the licensee is notified by the inspector that the gaming machine's monitor must be fixed by adjustment, repaired or replaced by a service agent. If these remedies cannot bring the video monitor to an acceptable standard, the machine must be replaced.

As the age of many gaming machines in the field is approaching ten years, this issue is likely to continue while there is a significant number using this older video monitor technology.

6.2 *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. It is therefore imperative that the central monitoring system itself is subject to constant scrutiny. Experience with the monitoring system both this year and in previous years has given me a high level of confidence in its secure operation.

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.

There were no changes to the procedure manuals for the AGS monitoring system requiring approval during 2002-03. Ongoing scrutiny by my Office found no unauthorised adjustments made to data and no alterations were made to the system without my approval.

On 18 July 2002 I approved the procedure manuals and handbooks for the Secure Internet Based Customer Reporting Facility (IGC web site). I required the IGC to submit the manuals for approval as part of my original approval of the facility on 13 December 2001.

7. APPROVALS OF GAMES AND MACHINES

7.1 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 the Commissioner the power to approve machines, games and equipment.

Testing and evaluation of gaming machines has been conducted for me 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 2003, 27 machines and 356 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 2002 to 30 June 2003 :-

Orders approving a new game	58
Orders approving a new version of a game	51
Orders revoking the approval of a game	60
Orders approving a new gaming machine	1
Orders approving a modification to a gaming machine	26
Orders revoking the approval of a gaming machine	nil

The Office of the Liquor and Gambling Commissioner is currently 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, BMM International and Technical Systems Testing.

In December 2002, the Assessment Panel conducted its second review of the performance of the ATF's and the accreditation system in general. The review included an assessment of key performance indicators provided by participating regulators. The Panel had not issued its review report as of 30 June 2003.

7.2 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 August 2002 and was jointly chaired by South Australia and New Zealand.

Along with most other Australian and New Zealand regulators, I have adopted the latest revision of the National Standard Rev 6.01, which will become effective on 6 July 2003. Manufacturers were notified in January 2003 of the impending change. As of 6 July 2003, all submissions of new gaming machines and games will be evaluated against the National Standards for Gaming Machines Version 6.01 plus the South Australian Appendix Version 3.0.

7.3 MANUFACTURER SUPPORT FOR GAMING MACHINES

The increasing age of a large number of gaming machines operated in South Australia means that many have exceeded their expected life. Eventually, support for a particular machine model by its manufacturer, i.e. the supply of spare parts and component repair services, will expire. For several older models, manufacturer's support has already expired.

The Aristocrat Mk 4 gaming machine was approved at the commencement of gaming in 1994 and proved to be a very popular model. At its peak, there were approximately 6,500 Mk 4 machines operating in South Australia. At 30 June 2003, there were still 4,600 Mk 4 machines operating in hotels and clubs.

Aristocrat's contractual obligation to support the Mk 4 expires in May 2004. This means that Aristocrat will not be obliged to provide spare parts and repair services for the State's Mk 4 machines. Given the large number of these machines still operating, this is likely to have a considerable impact on licensees when a Mk 4 fails or components wear out. This is particularly true for machines with faulty or worn video monitors as these cannot normally be repaired and new monitors will not be available. For some, it may mean that a machine cannot be returned to a proper operating condition and must therefore be replaced.

I have discussed this issue at some length with Aristocrat, the service agents, IGC and the hotel and club associations. Both Aristocrat and my office will be informing licensees shortly of the likely impact on Mk 4 machines.

8. COMPLAINT INVESTIGATIONS

The Office investigated a total of 18 complaints during 2002-03 in respect of the conduct of gaming operations by licensed hotels and clubs.

8.1 SUMMARY OF COMPLAINTS

Type of complaint	No. of complaints
Barring (allowing barred person to enter gaming area)	9
No approved gaming manager on duty	2
Gaming employee playing machines	1
Unapproved person conducting gaming employee duties	1
Breach of Advertising Code of Practice	1
Venue management practices	2
Gaming area layout	1
Employee performing minor repairs on machine	1

4 licensees were cautioned following an investigation into the complaints and one licensee signed an assurance that the breach will not be repeated.

For the remaining cases, either the licensee was found to be not at fault or there was insufficient evidence to support the complaint.

8.2 PAYOUT DISPUTES AND MALFUNCTIONS

There were 44 complaints received during 2002-03 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

For the majority of the complaints an investigation found no evidence to support the claim.

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 2002-03, no applications for review were received under section 76 of the Act.

9. BARRING

9.1 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.

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

During 2002-03 two people made applications to review a barring order. One order was upheld and the other was revoked.

9.2 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.

10. GAMING TAX

10.1 RATES

Tax rates were amended during 2002-03 as result of the *Gaming Machines (Gaming Tax) Amendment Act 2002* which was passed in Parliament on 24 October 2002.

The effect of the legislation was to apply new rates and thresholds from 1 January 2003. The method of taxation, that of a tiered, net gambling revenue based tax calculation remained unchanged. However, for the first time a tax free threshold equivalent to \$6250 per month was introduced together with higher rates for higher gaming revenue earners.

Because the rates commenced half way through a financial year and tax for July to December 2002 had been calculated based on existing annual rates, the calculation of the new rates for the period 1 January 2003 to June 2003 was achieved by way of 'additional rates' which applied in addition to the existing annual rates.

The rates effective for 2002-03 were as follows:

For the full year:

	Other than Non-Profit Businesses (Hotels)	Non-Profit Business (Clubs & Community Hotels)
	Marginal Tax Rates	Marginal Tax Rates
Annual NGR		
\$0-\$399,000	25.91%	20.91%
\$399,001 - \$945,000	\$103,380.90 plus 34.41% of the excess NGR over \$399,000	\$83,430.90 plus 25.91% of the excess NGR over \$399,000
Above \$945,000	\$291,259.50 plus 40.91% of the excess NGR over \$945,000	\$224,899.50 plus 30.91% of the excess NGR over \$945,000

For the period 1 January 2003 to 30 June 2003

	Other than Non-Profit Businesses (Hotels)
	Marginal Tax Rates
6 months NGR	
\$0-\$37,500	-25.91%
\$37,501 - \$199,500	-\$9,716.25 plus 1.59% of the excess NGR over \$37,500
\$199,501 - \$472,500	-\$7140.45 plus 2.59% of the excess NGR over \$199,500
\$472,501 - \$750,000	-\$69.75 plus 0% of the excess NGR over \$472,500
\$750,001 - \$1,250,000	-\$69.75 plus 6.59% of the excess NGR over \$750,000
\$1,250,001 - \$1,750,000	\$32,880.25 plus 16.09% of the excess NGR over \$1,250,000
Above \$1,750,000	\$113,330.25 plus 24.09% of the excess NGR over \$1,750,000

Non-Profit Business
(Clubs & Community Hotels)

Marginal Tax Rates	
6 months NGR	
\$0-\$37,500	-20.91%
\$37,501 - \$199,500	-\$7841.25 plus 0.09% of the excess NGR over \$37,500
\$199,501 - \$472,500	-\$7695.45 plus 2.59% of the excess NGR over \$199,500
\$472,501 - \$750,000	-\$624.75 plus 0.00% of the excess NGR over \$472,500
\$750,001 - \$1,250,000	-\$624.75 plus 6.59% of the excess NGR over \$750,000
\$1,250,001 - \$1,750,000	\$32,325.25 plus 16.09% of the excess NGR over \$1,250,000
Above \$1,750,000	\$112,775.25 plus 24.09% of the excess NGR over \$1,750,000

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.

10.2 NON PAYMENT OF GAMING TAX

A number of licensees fail to pay gaming tax from their designated bank account on the due date. If the amount remains unpaid within 7 days of the initial sweep of the account, a fine of 10% is applied. A letter of demand is also sent to the licensee giving the licensee 14 days in which to pay the outstanding amount. During 2002-03, 31 fines were applied totalling \$20,733.55. Three of these fines totalling \$10,847.31 were subsequently remitted for various reasons.

If the amount remains outstanding after the 14 days, I may exercise my powers under section 36 to take disciplinary action. Disciplinary action may involve reprimanding a licensee, suspension or revocation of the licence or adding or varying licence conditions.

I must give written notice to a licensee of the proposed disciplinary action, allowing a period of at least 21 days for the licensee to respond. In the same notice I may suspend the licence pending determination of the disciplinary proceedings.

During 2002-03 I exercised my powers under section 36 and suspended three licences for non-payment of gaming tax. The suspensions were lifted once the amount was paid.

10.3 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 licence 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.

11. 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.

In taking disciplinary action, I may:

- reprimand a licensee
- add to or vary the conditions of licence
- suspend the licence
- revoke the licence

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.

11.1 SUMMARY OF DISCIPLINARY NOTICES ISSUED

Reason for disciplinary notice		No. of notices
Allowed cash withdrawals over specified limit	Contravention of section 51B	2
Failure to pay gaming tax within 14 days of demand	Contravention of section 72B	10
Person occupied a position of authority without approval of the Commissioner	Contravention of section 48(2)	1
Operated machines without a service agent contract	Contravention of condition (r)	2
Operated machines without a monitoring agreement	Contravention of condition (k)	1
Gaming staff not completed training	Contravention of condition (nb)	93

11.2 SUMMARY OF DISCIPLINARY ACTION TAKEN

During 2002-03 the following disciplinary action was taken:

Reason for disciplinary action		No. of incidents	Action taken
Allowed cash withdrawals over specified limit	Contravention of section 51B	2	Licensees signed assurance
Failure to pay gaming tax within 14 days of demand	Contravention of section 72B	3	Licences suspended
Person occupied a position of authority without approval of the Commissioner	Contravention of section 48(2)	1	Licensee signed assurance
Operated machines without a service agent contract	Contravention of condition (r)	1	Licence suspended

12. ORGANISATION

12.1 ORGANISATION STRUCTURE

The organisation structure of the Office of the Liquor and Gambling Commissioner is attached at item 15.

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.

12.2 STAFFING

	2001-02 Budget	2001-02 Actual	2002-03 Budget	2002-03 Actual
Average full time equivalent staff	17.2	17.1	19.2	17.8

12.3 BUDGET INFORMATION

	2001-02 Budget	2001-02 Actual	2002-03 Budget	2002-03 Actual
	\$m	\$m	\$m	\$m
Salaries	0.987	0.981	1.154	1.157
Goods & Services	0.683	0.793	0.528	0.394
Total	1.670	1.774	1.682	1.551

13. THANKS

I take the opportunity to record my thanks to all staff for their continued efforts in 2002-03.

I also thank the Board and staff of the Independent Gaming Corporation Ltd, the State Supply Board and staff, the service agents Getronics Australia Pty Ltd and AWA Gaming Services Pty Ltd and the Independent Gambling Authority and its staff.

The outstanding relationship and cooperation between these bodies contributes to the success of the gaming machine industry in South Australia.

14. STATISTICS

Table 1 Monthly gaming statistics 2002-03

Month	Total bets (\$)	Total Wins (\$)	Net Gambling Revenue (\$)	Tax (\$)	Fines (\$)
Jul-2002	471,819,872	417,087,846	54,732,025	19,204,352	594
Aug	507,236,885	448,820,755	58,416,130	20,608,165	478
Sep	468,488,276	414,580,250	53,908,026	18,863,282	452
Oct	501,565,125	443,736,765	57,828,361	20,369,244	348
Nov	477,674,827	422,763,241	54,911,587	19,239,630	624
Dec	487,109,928	431,398,831	55,711,097	19,518,471	-
Jan-2003	479,836,311	425,046,503	54,789,808	20,958,666	2,228
Feb	443,488,922	392,798,878	50,690,044	18,867,471	6
Mar	493,416,160	437,215,450	56,200,710	21,601,441	-
Apr	495,058,064	438,754,943	56,303,120	21,469,950	2,038
May	532,559,502	472,361,138	60,198,364	23,447,468	1,100
Jun-2003	494,465,021	439,078,791	55,386,230	21,136,682	2,018
2002-03 Year	5,852,718,893	5,183,643,391	669,075,502	245,284,822	9,886

Chart 1 Gaming tax levied per month 2002-03

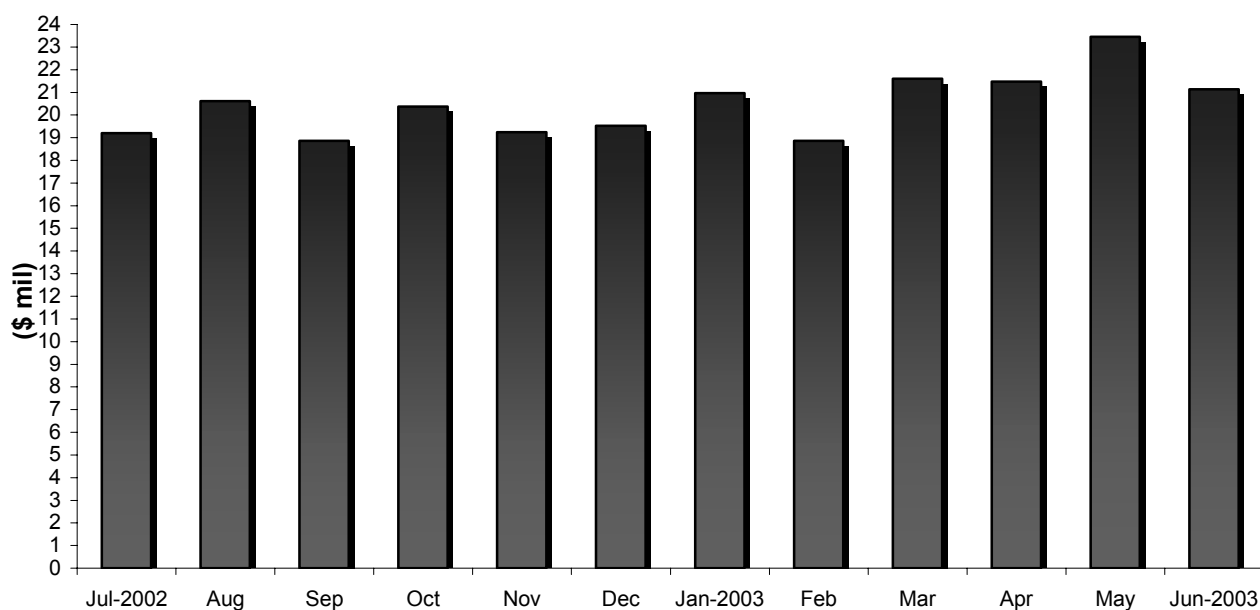


Table 2 Monthly gaming machine and venue installations 2002-03

Month	Venues	Gaming Machines
Jul-2002	594	14,652
Aug	595	14,687
Sep	595	14,692
Oct	596	14,703
Nov	597	14,710
Dec	598	14,775
Jan-2003	599	14,804
Feb	598	14,790
Mar	598	14,821
Apr	599	14,865
May	596	14,831
Jun-2003	596	14,841

Chart 2 Monthly gaming machine and venue installations 2002-03

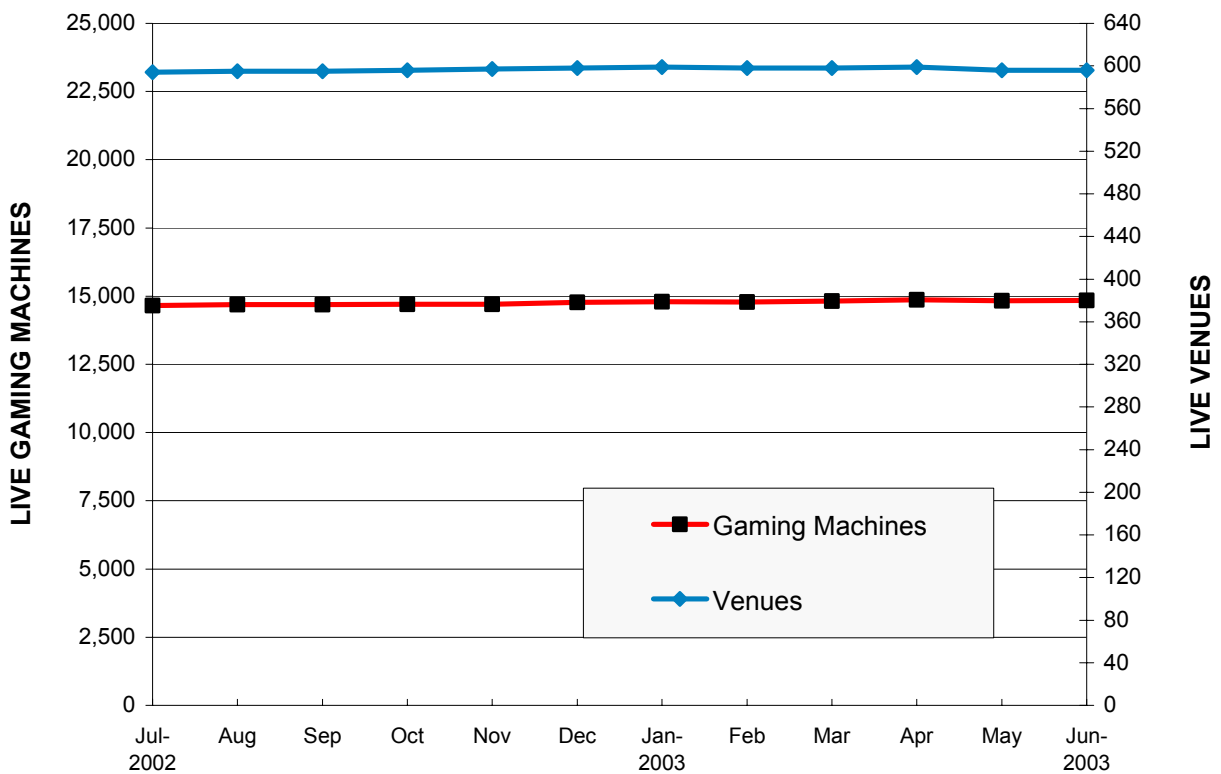


Table 3 Data by ABS Local Government Area (LGA) 2002-03

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

The data for five LGAs in 2002-03 has been revised from previous years due to reallocation of some venues into another LGA. (This has occurred where a venue was located on the boundary of two councils and there was previously some uncertainty as to which LGA applied).

<i>LGA or Grouped LGA</i>	<i>No of Venues</i>	<i>No of machines at 30 Jun 03</i>	<i>Aggregate NGR (2002-03)</i>	<i>Aggregate NGR per venue (2002-03)</i>
Adelaide	64	1,398	\$39,311,197.18	\$614,237
Adelaide Hills	18	292	\$4,597,326.77	\$255,407
Alexandria	13	287	\$6,567,638.99	\$505,203
Barossa	15	261	\$6,105,292.52	\$407,020
Barunga West, Copper Coast	16	260	\$7,674,390.64	\$479,649
Berri Barmera	7	184	\$7,540,757.42	\$1,077,251
Campbelltown, Tea Tree Gully	16	547	\$46,479,439.58	\$2,904,965
Ceduna, Streaky Bay, Le Hunte, Elliston, Lower Eyre	10	151	\$4,085,760.76	\$408,576
Charles Sturt	30	965	\$56,260,861.70	\$1,875,362
Clare & Gilbert Valleys	7	113	\$1,681,286.26	\$240,184
Coorong, Tatiara	9	153	\$4,001,215.18	\$444,579
Gawler	8	244	\$11,419,540.35	\$1,427,443
Goyder, Northern Areas	11	71	\$977,781.59	\$88,889
Holdfast Bay	12	451	\$25,577,528.31	\$2,131,461
Kangaroo Island, Yankalilla, Victor Harbor	13	294	\$8,884,368.17	\$683,413
Kapunda & Light, Mallala	12	117	\$2,882,099.27	\$240,175
Kimba, Cleve, Tumby Bay, Franklin Harbour	7	77	\$1,649,494.85	\$235,642
Loxton Waikerie	7	148	\$4,027,670.63	\$575,382
Marion	12	383	\$28,088,989.78	\$2,340,749
Mid Murray	10	140	\$2,525,986.98	\$252,599
Mitcham, Burnside	9	280	\$14,202,456.11	\$1,578,050
Mount Barker	12	293	\$8,628,225.60	\$719,019
Mount Gambier, Grant	15	455	\$15,252,185.74	\$1,016,812
Mount Remarkable, Orroroo/Carrieton, Peterborough	7	80	\$1,208,597.48	\$172,657
Murray Bridge, Karoonda/East Murray, Southern Mallee	10	181	\$8,370,337.55	\$837,034
Naracoorte & Lucindale, Robe, Lacedpede	8	193	\$4,382,511.05	\$547,814
Norwood Payneham & St Peters	20	740	\$30,627,192.76	\$1,531,360
Onkaparinga	26	863	\$60,106,952.82	\$2,311,806
Playford	12	352	\$27,394,870.42	\$2,282,906
Port Adelaide Enfield	48	1,373	\$59,786,844.62	\$1,245,559
Port Augusta	12	305	\$8,396,564.14	\$699,714
Port Lincoln	7	225	\$8,247,479.22	\$1,178,211
Port Pirie	9	260	\$7,772,253.39	\$863,583
Prospect, Walkerville	7	277	\$15,253,453.81	\$2,179,065
Renmark Paringa	7	160	\$5,268,016.51	\$752,574
Roxby Downs, Coober Pedy, Flinders Ranges	8	143	\$4,970,054.41	\$621,257
Salisbury	22	733	\$60,043,152.70	\$2,729,234
Unincorp. Far North, Unincorp. West Coast	7	66	\$846,146.45	\$120,878
Unley	8	306	\$13,950,673.32	\$1,743,834
Wakefield Region	9	64	\$1,186,219.19	\$131,802
Wattle Range	8	151	\$3,547,999.21	\$443,500
West Torrens	11	372	\$22,615,949.29	\$2,055,995
Whyalla	7	216	\$11,400,559.70	\$1,628,651
Yorke Peninsula	18	217	\$5,278,179.27	\$293,232
	604	14,841	\$669,075,501.69	\$1,107,741

The total number of 604 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 2003 due to surrender or suspension of the gaming licence.

Table 4 Net gambling revenue - 1999 to 2003

	1998-99 (\$mil)	%	1999-00 (\$mil)	%	2000-01 (\$mil)	%	2001-02 (\$mil)	%	2002-03 (\$mil)	%
Hotels	409.997	92.7	452.528	93.1	506.924	93.2	567.592	93.5	623.792	93.2
Clubs	32.469	7.3	33.460	6.9	36.546	6.8	39.222	6.5	45.283	6.8
Total	442.466		485.988		543.470		606.814		669.075	

Table 5 Gaming tax - 1999 to 2003

	1998-99 (\$mil)	%	1999-00 (\$mil)	%	2000-01 ¹ (\$mil)	%	2001-02 (\$mil)	%	2002-03 ² (\$mil)	%
Hotels	180.401	94.3	200.490	94.7	180.832	95.2	203.245	95.4	234.166	95.5
Clubs	10.870	5.7	11.288	5.3	9.084	4.8	9.826	4.6	11.118	4.5
Total	191.271		211.778		189.916		213.071		245.284	

¹ Tax rates reduced with the introduction of GST

² Tax rates changed effective from 1 January 2003

Table 6 Average net gambling revenue per machine per day - 1999 to 2003

	1998-99	1999-00	2000-01	2001-02	2002-03
Ave NGR per machine per day	\$107	\$107	\$111	\$115	\$124

Table 7 Average total net gambling revenue per day type - 1999 to 2003

	1998-99 (\$ mil)	1999-00 (\$ mil)	2000-01 (\$ mil)	2001-02 (\$ mil)	2002-03 (\$ mil)
Sun	0.831	0.941	1.053	1.210	1.345
Mon	0.936	1.033	1.123	1.304	1.430
Tues	1.019	1.124	1.269	1.374	1.588
Wed	1.279	1.317	1.503	1.690	1.848
Thurs	1.540	1.689	1.896	2.085	2.285
Fri	1.556	1.753	1.958	2.171	2.370
Sat	1.323	1.422	1.618	1.810	1.973

Table 8 Return to player - 1999 to 2003¹

	1998-99	1999-00	2000-01	2001-02	2002-03
Return to Player	88.12%	88.21%	88.30%	88.39%	88.57%

¹ 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

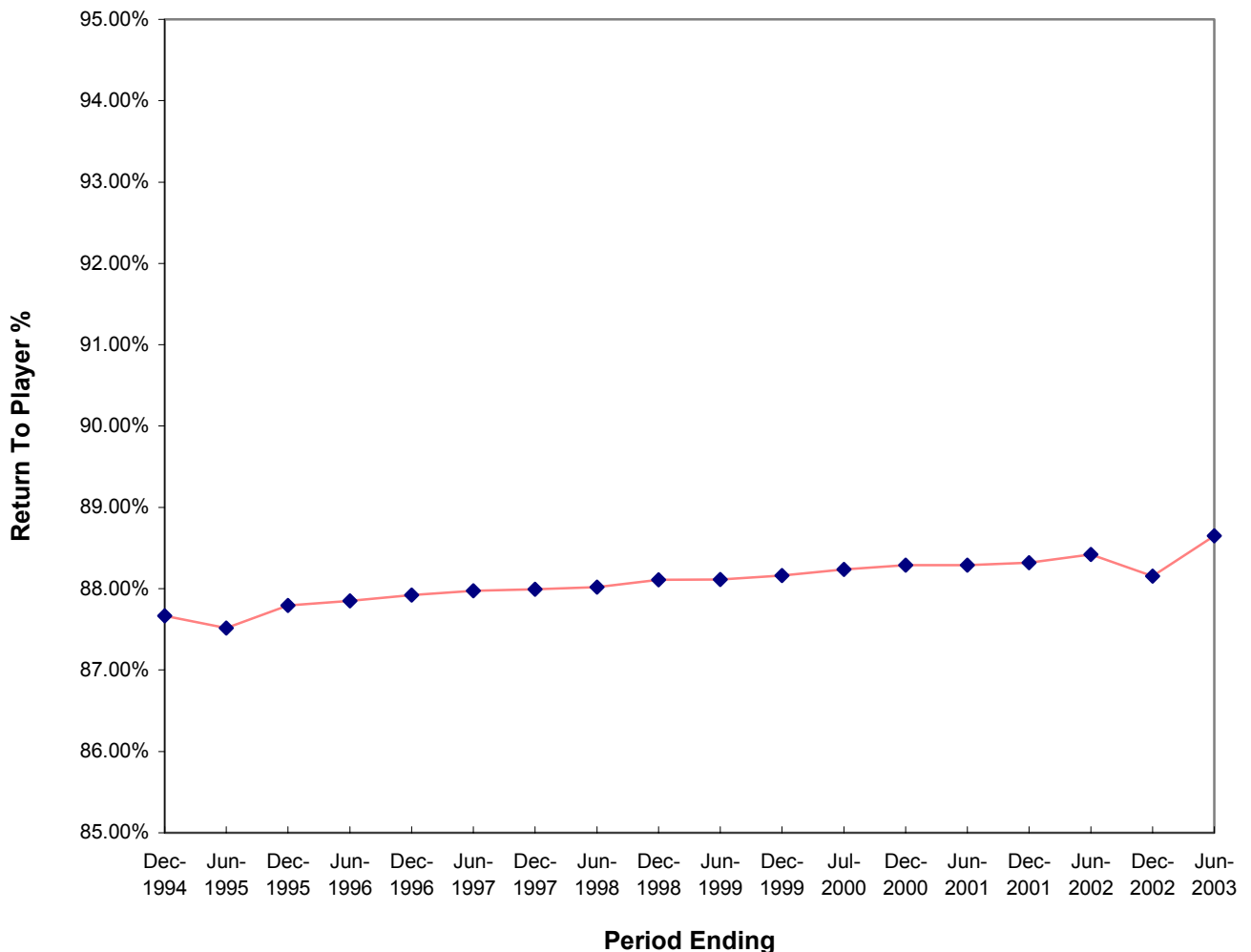


Table 9 Live venues and machines - 1999 to 2003

	30 Jun 99	30 Jun 00	30 Jun 01	30 Jun 02	30 Jun 03
No of venues	539	564	587	592	596
No of machines	11,944	12,738	14,096	14,647	14,841

Table 10 Number of clubs by machine range - 1999 to 2003

No of machines	30 Jun 99	30 Jun 00	30 Jun 01	30 Jun 02	30 Jun 03
1 to 10	33	33	30	31	30
11 to 20	29	28	29	27	27
21 to 30	7	7	7	8	8
31 to 40	15	17	20	21	23
Total	84	85	86	87	88

Table 11 Number of hotels by machine range - 1999 to 2003

No of machines	30 Jun 99	30 Jun 00	30 Jun 01	30 Jun 02	30 Jun 03
1 to 10	151	158	150	137	138
11 to 20	81	80	83	86	85
21 to 30	44	47	41	42	41
31 to 40	179	194	227	240	244
Total	455	479	501	505	508

Table 12 Gaming venues by business type - 1999 to 2003

No of venues	30 Jun 99		30 Jun 00		30 Jun 01		30 Jun 02		30 Jun 03	
		%		%		%		%		%
Hotels	455	84.4	479	84.9	501	85.3	505	85.3	508	85.2
Clubs	84	15.6	85	15.1	86	14.7	87	14.7	88	14.8
Total	539		564		587		592		596	

Table 13 **Gaming machines by business type - 1999 to 2003**

No of venues	30 Jun 99		30 Jun 00		30 Jun 01		30 Jun 02		30 Jun 03	
		%		%		%		%		%
Hotels	10,495	87.9	11,222	88.1	12,454	88.3	12,957	88.5	13,084	88.1
Clubs	1,449	12.1	1,516	11.9	1,642	11.7	1,690	11.5	1,757	11.9
Total	11,944		12,738		14,096		14,647		14,841	

Chart 4 **Growth in gaming venues**

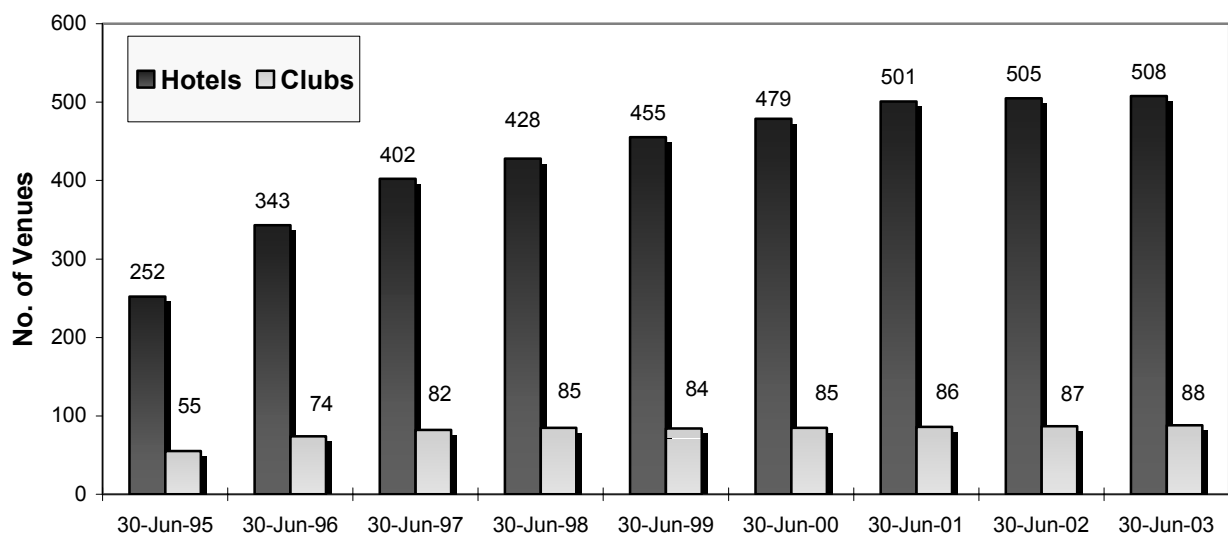


Chart 5 **Growth in gaming machines installed**

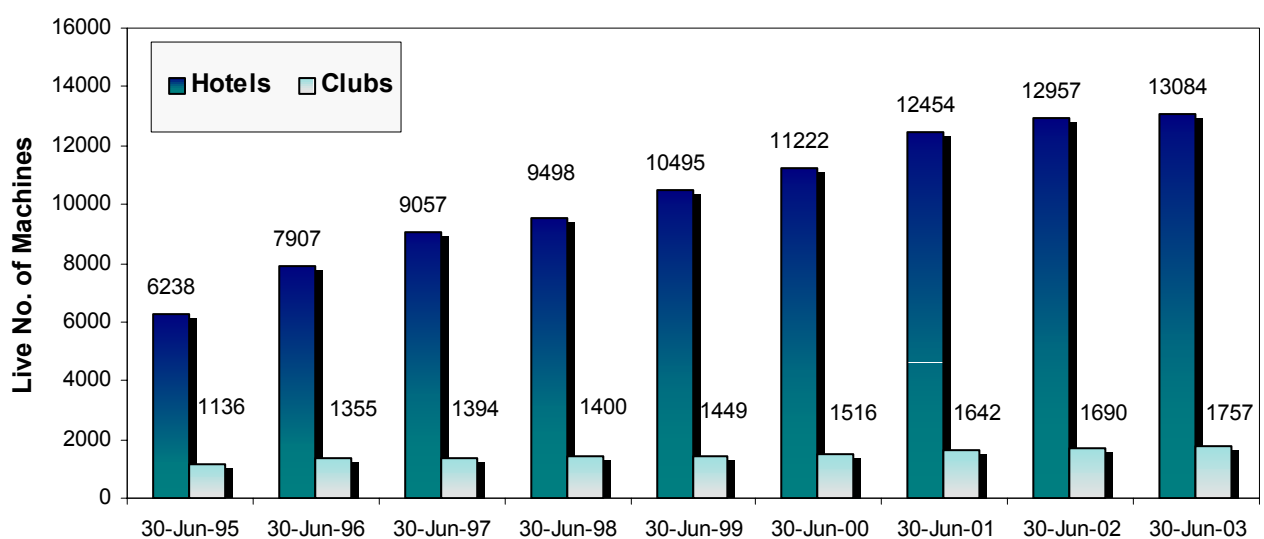


Table 14 **Average growth in live machines - 1999 to 2003**

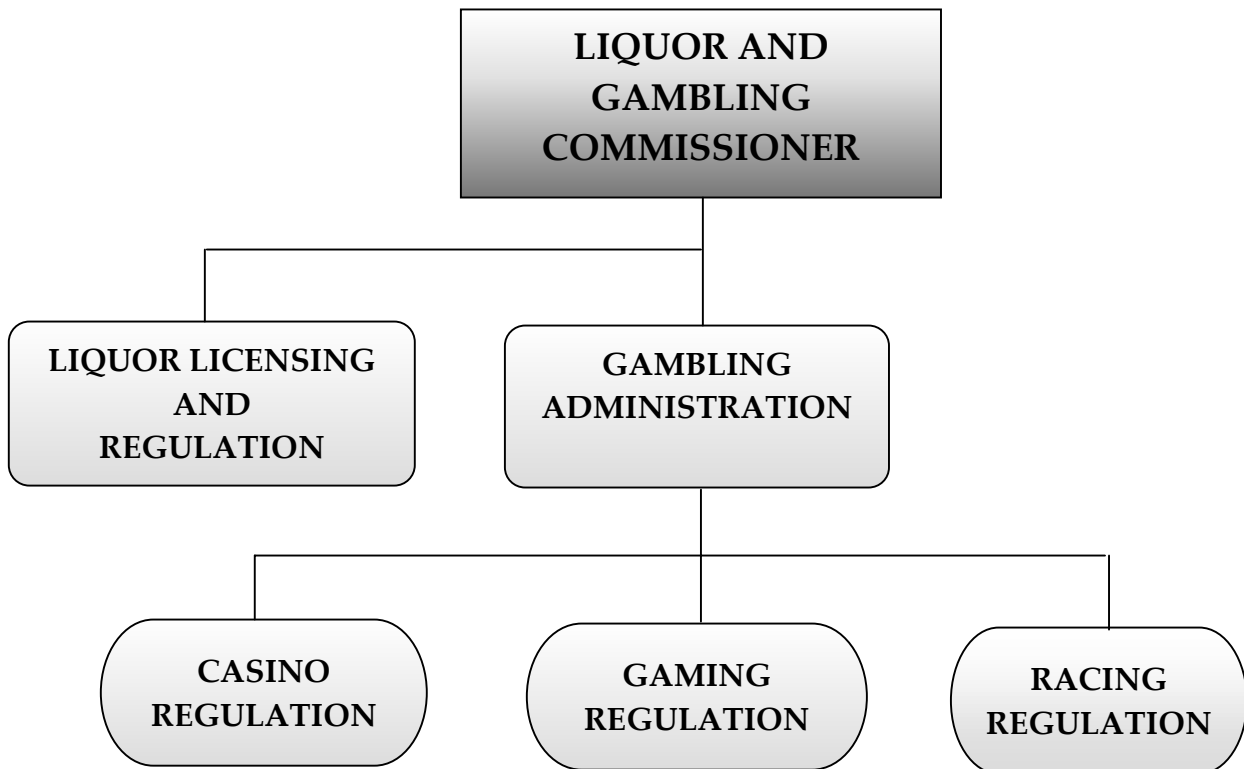
	1998-99	1999-00	2000-01	2001-02	2002-03
Monthly average number of machines installed	87	66	113	46	16

Table 15 **Manufacturer's share of gaming machine market - 1999 to 2003**

	Jun 99	Jun 00	Jun 01	Jun 02	Jun 03
Aristocrat	7,762	8,838	9,827	10,479	10,468
IGT	1,565	1,662	1,659	1,772	1,932
Konami	-	100	292	466	876
Pacific	304	418	523	582	446
Olympic	1,143	1,148	947	649	414
VGS	331	19	158	260	265
Datacraft	861	834	629	403	262
Ainsworth	-	-	-	-	93
Atronic	-	-	66	70	81
Vidco	49	54	33	12	1
Total ¹	12,015	13,073	14,134	14,693	14,838

¹ 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.

15. ORGANISATION CHART



16. 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	(08) 8226 8410
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

