

**Consumer and
Business Services**

Approved Trading System

Review of Trading Round 16/2018



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.

Approved Trading System - Process Improvements

Trading Round 16/2018 was the first trading round to utilise online application functionality, allowing the holders of gaming machine licences to submit monetary offers to buy and sell gaming machine entitlements in real time, through the CBS website.

These online forms:

- use licensee data directly populated from the CBS licensing database to mitigate any risk of data entry inaccuracies;
- prevent applicants from submitting applications without attaching relevant approvals or consents (e.g. landlord consent or proof of finance etc.);
- streamline the application process as applicants receive notification that their application has been received by CBS in real time; and
- provide access to a secure point of sale system for the payment of administration fees with receipting function.

KEY OUTCOMES FROM TRADING ROUND 16/2018

On 31 May 2018 a trading round for the purchase and sale of gaming machine entitlements was established, known as Trading Round 16/2018.

The key outcomes from this trading round were as follows—

Trading Round	16/2018
Offers Opened	31 May 2018
Offers Closed	29 June 2018
Trading Day	26 July 2018
Total Number Of Entitlements Held Prior To Trading Round	13 779 ¹
Total Number of Offers To Sell Entitlements	232
Total Number of Offers To Purchase Entitlements	35
Number of Entitlements Sold	32
Number of Entitlements Purchased	24
Number of Entitlements Cancelled	0
Number of Entitlements Transferred to Club One	8
Purchaser Price (excl GST)	\$17,000.00
Vendor Price (excl GST)	\$12,750.00
Amount Paid to Gamblers Rehabilitation Fund (GRF)	-
Total Number of Entitlements Held After Trading Round	13 779
Statutory Objective	13 081
Entitlements To Be Cancelled To Meet Statutory Objective	698

¹ One gaming machine entitlement was relinquished on 5 March 2018 following the surrender of a gaming machine licence

ESTABLISHMENT OF TRADING ROUND 15/2017

On 31 May 2018, the Liquor and Gambling Commissioner formally established Trading Round 16/2018 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 16/2018 was as follows—

Event	Date
Announcement of Trading Round 16/2018	31 May 2018
Closing date for the submission of offers to purchase or sell	29 June 2018
Drawing of lots for identical offers	23 July 2018
Trading Day	26 July 2018
Due date for payment by successful purchasers	9 August 2018
Payment to successful vendors initiated	21 August 2018
Transfer of entitlements to successful purchasers initiated	24 August 2018

Announcement of Trading Round

A copy of the announcement notice was published in the Government Gazette on 31 May 2018 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.

Administration Fee

For Trading Round 16/2018, 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.

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

OUTCOME OF TRADING ROUND

Acceptance of Offers

14 licence holders submitted offers to sell 232 gaming machine entitlements. The following tables indicate the composition of these offers by business type and by venue locality:

Venue Type	No. Of Venues	Offers
Offers To Sell By Profit Venues (Hotels and Casino)	6	87
Offers To Sell By Non-Profit Venues (Clubs, Community Hotels, Club One)	8	145
TOTAL APPLICATIONS TO SELL	14	232

Location	No. Of Venues	Offers
Metropolitan Licence Holders	9	211
Non-Metropolitan Licence Holders	5	21
TOTAL APPLICATIONS TO SELL	14	232

7 licence holders submitted offers to purchase 35 gaming machine entitlements. The following tables indicate the composition of these offers by business type and by venue locality:

Venue Type	No. Of Venues	Offers
Offers To Purchase By Profit Venues (Hotels and Casino)	7	35
Offers To Purchase By Non-Profit Venues (Clubs, Community Hotels, Club One)	0	0
TOTAL APPLICATIONS TO PURCHASE	7	35

Location	No. Of Venues	Offers
Metropolitan Licence Holders	5	16
Non-Metropolitan Licence Holders	2	19
TOTAL APPLICATIONS TO PURCHASE	7	35

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 if there is some other good reason to do so.

In Trading Round 16/2018, 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 16/2018 as:

- Purchaser Price (the amount that purchasers would pay) \$17,000.00 (plus GST)
- Vendor Price (the amount that sellers would receive) \$12,750.00 (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 16/2018, non-profit associations were taken to have sold 35 entitlements (*comprising of 32 entitlements sold by successful sellers plus three entitlements carried over from 15/2017*). 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 of three, 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 16/2018—

- No entitlements were sold by profit organisations;
- No entitlements were cancelled (being every fourth entitlement sold by profit organisations);
- 32 entitlements were sold by seven non-profit associations;
- 8 entitlements were transferred to Club One (being every fourth entitlement taken to have been sold by non-profit organisations); and
- 24 entitlements were allocated to six successful purchasers from profit organisations.

As no gaming machine entitlements were cancelled in this trading round, the maximum number of gaming machines that may be operated in South Australia remains at 13,779² (inclusive of 1,080 gaming machines which may now be operated at the Adelaide Casino).

The number of entitlements which need to be cancelled to meet the state-wide statutory cap objective is 698.

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 24 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
1	1	1
2	2	4
1	4	4
1	7	7
1	8	8
6		24

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
2	2	4
2	4	8
2	6	12
1	8	8
7		32

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.

² One gaming machine entitlement was relinquished on 5 March 2018 following the surrender of a gaming machine licence

Payments

Applicants who successfully purchased gaming machine entitlements in this trading round were required to pay to the Commissioner the Purchaser Price of \$17,000.00 (plus GST) for each entitlement allocated to them by 9 August 2018.

All payments were received in full, being \$448,800.00 (including GST) as payment from six purchasers for 24 gaming machine entitlements.

On or after 21 August 2018, the entitlement holders who successfully sold gaming machine entitlements had been paid the Vendor Price of \$12,750.00 (plus GST) for each entitlement sold in the trading round.

A total amount of \$448,800.00 (including GST) was distributed to seven sellers as payment for 32 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 16/2018, no commission was payable to the GRF.

CONDUCT OF TRADING ROUND

CBS Trade Team

The CBS Trade Team within the Gambling Reform and Operations Team managed all aspects of Trading Round 16/2018 and a similar team will be formed for the next trading round.

Communications Strategy

Over 60% of gaming machine licence holders have now registered with CBS to receive gaming e-notifications. This allowed CBS to disseminate information about the trading round directly to subscribers by email on the day that the trading round was announced.

Information was also sent by direct mail out to licensees (non e-notification subscribers), to various industry and community representative bodies and legal practitioners. A copy of the announcement notice was also published at www.sa.gov.au/gmetrade.

Licence holders interested in participating in Trading Rounds are now directed to a new webpage at www.sa.gov.au/gmetrade. This page provides updated information about participating in a trading round and also allows licence holders to submit monetary offers to buy and sell gaming machine entitlements in real time, when a trading round is announced.

These online forms:

- use licensee data directly populated from the CBS licensing database to mitigate any risk of data entry inaccuracies;
- prevent applicants from submitting applications without attaching relevant approvals or consents (e.g. landlord consent or proof of finance etc.);
- streamline the application process as applicants receive notification that their application has been received by CBS in real time; and
- provide access to a secure point of sale system for the payment of administration fees with receipting function.

Transaction Costs

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

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. For Trading Round 16/2018 the administration fee was fixed at \$110.

There is no fee to sell an entitlement.

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 at www.sa.gov.au/gmetrade 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 ³	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 ⁴	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

³ Includes 995 non-transferrable entitlements allocated to the Adelaide Casino on 1 January 2014

⁴ 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	31 May 2018					
Offers Close	16 November 2017	29 June 2018					
Trading Day	7 December 2017	26 July 2018					
Total Number Of Entitlements Held Prior To Trading Round	13 793	13 779 ⁵					
Offers To Sell	202	232					
Offers To Purchase	68	35					
Entitlements Sold	69	32					
Entitlements Purchased	52	24					
Entitlements Cancelled	13	0					
Entitlements Transferred To Club One	4	8					
Purchaser Price (plus GST)	\$18,277.50	\$17,000.00					
Vendor Price (plus GST)	\$13,708.13	\$12,750.00					
Amount paid to Gamblers Rehabilitation Fund (GRF)	\$5,025.93	-					
Total Entitlements Held After Trading Round	13 780	13 779					
Entitlements To Be Cancelled To Meet Statutory Objective	699	698					

⁵ One gaming machine entitlement was relinquished on 5 March 2018 following the surrender of a gaming machine licence

NEXT TRADING ROUND

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

A copy of the announcement notice will be sent to all gaming machine licence holders, the casino licensee, the holder of the special club licence (Club One) and various industry and community representative bodies.

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.\



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