



Submission

Joint Select Committee on Gambling Reform Inquiry into the National Gambling Reform Bill 2012

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1. Background

Aristocrat is a global company with almost 60 years industry experience and more than 2,000 staff across the world. We have a well-earned reputation for outstanding performance and strong brand equity in more than 200 jurisdictions globally. Our diverse product line-up extends from electronic gaming machines (EGMs) to complete gaming solutions, including gaming management systems, technical services, and ancillary equipment. Aristocrat has international experience in designing and implementing precommitment solutions and welcomes the opportunity to contribute further to the national responsible gaming debate.

We believe it is critical for a robust evidence base to be established before any approach to problem gambling can be implemented.

Aristocrat supports measures that:

- Are proven to reduce problem gambling without unduly impacting the overwhelming majority of recreational gamers, or limiting their choices, amenity and enjoyment;
- Foster player empowerment, informed decision making and sovereignty;
- Are able to be implemented with a high degree of integrity, both from a technological and legal perspective; and
- Are affordable and viable for operators and ultimately consumers.

2. Executive Summary

As Australia's leading EGM manufacturer, Aristocrat is a firm advocate for evidence based gaming policy and EGM regulations in this country. As part of this commitment, Aristocrat has invested significantly in responsible gaming promotion and research over many years. In 2011, the business launched a prototype EGM (Blue Gum™) that incorporated a number of responsible gambling features, including a precommitment option, and commissioned an independent field trial and assessment of Blue Gum™

The study evaluated the performance and impact of specific responsible gambling features in several 'live' club settings in South East Queensland. It was conducted by experts at the University of Sydney, with the support of the Queensland Office of Liquor and Gaming Regulation. The report provides real, in-market results that could contribute to further research and trials in this area, and have been referenced in this submission.

Aristocrat strongly believes, based on our own experience and the Blue Gum™ research, that an approach centred on player messaging and intervention achieves the best balance between effectively reaching problem gamblers and preserving individual privacy, amenity and choice. We do not believe that restricting the functions of gaming machines as proposed for review by this Committee will effectively address problem gambling. In fact, Aristocrat would expect such measures to have the reverse effect of pushing problem gamblers into less regulated gaming environments.

The risk of unintended consequences, and the need to protect the choice, privacy and enjoyment of the large majority of recreational EGM players demands a careful and balanced approach. Any solution needs to be affordable and practical within the technological complexities and lead times of the industry. It must also have the support of both players and operators if it is to succeed.

It is our observation that this debate has been made all the harder by a serious lack of cross-functional dialogue and understanding. Aristocrat strongly supports the creation of a more formal high-level process that provides for greater interaction between policy makers, industry bodies, manufacturers, legislators and their regulatory bodies.

3. Blue Gum™ research result

After five years of development by Aristocrat, the Blue Gum™ EGM went live on 1 July 2011. Machines were located at five surf lifesaving clubs in Southport, Coolangatta, Kurrawa, Northcliffe and Tallebudgera, and the trial ran for eight weeks. During this time, research was conducted by the University of Sydney, and led by the prominent gaming researcher Professor Alex Blaszczynski. The researchers assessed the impacts of various precommitment and other harm minimisation features of the machines on both recreational and problem gamblers.

Aristocrat's intention was to provide relevant, real-time insights from the Australian market, creating a firmer evidence base to support informed debate. These insights have been made available to all stakeholders, through the publication of the report.

The specific aims of the study were to determine the use and effects of the responsible gambling features on player satisfaction and behaviour. The features were each evaluated based on trained observation and a questionnaire designed to elicit information about the awareness, usage, effect and satisfaction of the features.

Professor Blaszczynski suggested that the results demonstrated the potential benefits of certain responsible gambling features in assisting patrons to moderate their gambling behaviour. Specifically, he noted that:

- Responsible gambling messages should be placed within easy sight of players and frequently changed to reduce habituation to their content;
- Responsible gambling messages tended to reduce the enjoyment of problem gamblers far more than recreational players. The potential therefore exists to use messaging in a targeted way to interrupt problem gambling;
- Few gamblers set time limits. However, an alarm clock should be considered for the minority that find it useful;

Aristocrat is in the process of designing Blue Gum™ II which will refine the responsible gaming features in line with these findings. We are proposing to be in a position to trial these features in late 2013, pending regulatory approval of new features. Aristocrat believes that further market-based research and trials are necessary to build a reliable fact base upon which to frame effective and affordable EGM regulations. As previously stated Aristocrat is a firm advocate for evidence based gaming policy and therefore supports the establishment of an Australian Gambling Research Centre as outlined in the National Gambling Reform Bill.

4. Aristocrat's voluntary precommitment system

In addition to the Blue Gum™ study, Aristocrat has developed venue-based voluntary precommitment functionality as part of our System 7000 PRIME product and held a trial at the Bankstown Sports Club in Sydney.

The trial has recently been completed and NSW regulatory approval for the venue based voluntary precommitment module of the precommitment functionality has been granted.

Aristocrat has been working with several major NSW Clubs and Hotel groups for approximately 18 months to design and develop the system to ensure it meets the requirements of both Clubs and Hotels and the regulator.

These features include:

- The option for a member to nominate (precommit) a maximum amount of money that can be spent on EGM play over a period of time;
- Notification to both the venue and the player when this precommitted spend is exceeded.

5. Complexity and cost for industry

There are approximately 200,000 gaming machines in venues Australia-wide, with Aristocrat products making up close to 60% of them. The overriding factors that make replacing and/or upgrading either game hardware (machines) or software (the games) difficult are technical complexity and age.

The Gaming Technologies Association, of which Aristocrat is a member, has summarised the issue succinctly:

“The base software and the game of an average modern poker machine make up over one million lines of code, along with several million more for the operating system. Every line of gaming machine software, every component and every element of game mathematics and statistics must be submitted to independent licensed testing laboratories at significant cost; and then to jurisdictional regulators for approval before any game or machine can be deployed to Clubs, Hotels or Casinos.”

The 200,000 games across Australian venues range in age. The Gaming Technologies Association defined their ages:

- Machines 3 years old or younger will require their game software to be changed (the current cost for a venue of a game change averages \$5,000 per machine);
- Machines between 3 and 5 years old will require hardware upgrades to support the game software change (increasing the cost to the venue to \$9,000 or more per machine); and
- Machines older than 5 years must be replaced as their software support is no longer available (the current cost of a new machine to a venue can exceed \$25,000).

The total cost of an immediate reconfiguration of this inventory would therefore be more than \$2.5 billion.

Currently there are approximately 400 Aristocrat titles installed in the Australian gaming environment. Upgrading these to ensure compliance with any new regulatory requirement would involve a huge investment and redirection of resources towards the development of the necessary mathematics models, artwork and feature sets. Aristocrat believes the implementation timeframes being discussed by the Committee are wholly unrealistic.

Each new Aristocrat game has to be modified to meet 11 different protocols across the country, a problem that cannot be overlooked. Manufacturers will need time to gain recommendations from independent licensed testing laboratories and approval from gaming regulators for compliant solutions, estimated at two months per game, per jurisdiction. Therefore the proposed voluntary state wide precommitment system is highly complex.

Aristocrat gaming machines are exported to many other regions around the world. Any modification required for precommitment or dynamic warning messages in Australia, which is not required in global jurisdictions, invariably has an impact on the architecture, design and approval and therefore the cost of production which in turn hampers our ability to be a competitive exporter in the global environment.

As outlined above, the issues that stand out for Aristocrat relate to the significant technological and regulatory hurdles that will need to be overcome in order to provide what is outlined in the legislation within the timeframes specified.

We strongly believe a long term, phased implementation timeframe is a necessity for venues, especially smaller venues, who will need sufficient time to absorb the costs associated with overhauling their entire machine and game fleet. Importantly, a phased approach would also allow policy makers to respond to the evidence base that emerges from trials.

6. Conclusion

Aristocrat is supportive of regulation which provides player sovereignty and does not adversely affect the enjoyment of the recreational player. With regards to voluntary precommitment, it is almost impossible for us as a business to confidently outline what immediate action would look like, based on the very limited information which has been provided around the design of the gaming machine, its software, and what is expected in order to comply as outlined in the National Gambling Reform Bill.

As Australia's leading manufacturer of EGMs, Aristocrat is committed to promoting responsible gaming and ensuring our industry is sustainable and welcomed in the community over the long term. This commitment is not just words – it's also reflected in our investment in responsible gaming initiatives, product development and independent research. We believe in initiatives that are fact based, practical, affordable and have the support of players and operators.

Through fact based trials such as Blue Gum™ we believe effective player messaging and intervention has most potential to fit this bill, however more work needs to be done to refine and develop this concept to ensure that the design of the solution is an effective and executable system for each gaming jurisdiction. There is much more that needs to be considered and Aristocrat is committed to being part of these discussions. Aristocrat would welcome the opportunity to contribute to the Expert Advisory Group on Gambling and any other consultative groups, to ensure the path forward delivers the needs of all stakeholders involved in this national debate.