



Government of South Australia  
Office of the Liquor and Gambling  
Commissioner

*Gaming Machines Act 1992*  
**Annual Report 2005-06**

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**Government of South Australia**

**Office of the Liquor and Gambling  
Commissioner**

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Your Reference:

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

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19 September 2006

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

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 2006.

Yours faithfully

A handwritten signature in black ink, appearing to read 'W.A. Pryor', with a long, sweeping underline.

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



# CONTENTS

<b>1</b>	<b>INTRODUCTION.....</b>	<b>4</b>
<b>2.</b>	<b>LEGISLATIVE AMENDMENTS.....</b>	<b>5</b>
2.1	Gaming Machines (Miscellaneous) Amendment Act 2004.....	5
2.2	Statutes Amendment (Liquor, Gambling and Securities) Amendment Act 2005.....	5
<b>3.</b>	<b>TRADING ROUND.....</b>	<b>6</b>
<b>4.</b>	<b>SPECIAL CLUB LICENCE - CLUB ONE.....</b>	<b>8</b>
<b>5.</b>	<b>DISABLING AND REMOVAL OF EXCESS GAMING MACHINES.....</b>	<b>11</b>
<b>6.</b>	<b>TRANSFER OF ENTILEMENTS BETWEEN NON-PROFIT ASSOCIATIONS.....</b>	<b>13</b>
<b>7.</b>	<b>GAMING LICENCES.....</b>	<b>14</b>
7.1	Gaming machine licences.....	14
7.2	Gaming machine monitor licence.....	14
7.2.1	Monitoring system.....	14
7.2.2	System upgrade.....	14
7.2.3	Secure internet based customer reporting facility.....	14
7.2.4	Information data port.....	15
7.2.5	Fees.....	15
7.2.6	Gamblers' Rehabilitation Fund.....	15
7.2.7	Board members.....	15
7.3	Gaming machine supplier's licence.....	16
7.4	Gaming machine service licence.....	16
7.5	Gaming machine dealer's licence.....	17
<b>8.</b>	<b>APPROVAL OF PERSONS.....</b>	<b>19</b>
8.1	Applications for approval.....	19
8.1.1	Applications refused.....	19
8.1.2	Approvals revoked.....	20
<b>9.</b>	<b>MONITORING AND COMPLIANCE.....</b>	<b>21</b>
9.1	Gaming machine venues (hotels and clubs).....	21
9.1.1	New compliance reporting system.....	21
9.1.2	Self assessment compliance audit checklists.....	21
9.1.3	Gaming Care.....	22
9.1.4	Inspections.....	22
9.1.5	Breaches.....	22
9.1.6	Trends.....	24
9.2	Monitoring system.....	26
9.2.1	Replacement of the existing monitoring system.....	27



<b>10. COMPLAINT INVESTIGATIONS.....</b>	<b>28</b>
10.1 Summary of complaints.....	28
10.2 Payout disputes and malfunctions.....	29
<b>11. DISCIPLINARY ACTION.....</b>	<b>30</b>
11.1 Summary of disciplinary notices issued.....	30
11.2 Summary of disciplinary action taken.....	31
<b>12. APPROVALS OF GAMES AND MACHINES.....</b>	<b>35</b>
12.1 Testing and Evaluation of Gaming Machines.....	35
12.2 National Standard for Gaming Machines.....	36
12.3 Approval of Games.....	36
12.3.1 IGA Game Approval Guidelines - Rate of Play.....	36
<b>13. BARRING.....</b>	<b>38</b>
13.1 Barring under section 59 of the Gaming Machines Act 1992.....	38
13.2 Voluntary barring under Independent Gambling Authority Act 1995.....	38
<b>14. GAMING TAX.....</b>	<b>39</b>
14.1 Rates.....	39
14.2 Distribution of NGR.....	39
14.3 Non payment of gaming tax.....	40
14.4 Refunds.....	40
14.5 Stamp Duties (Gaming Machine Surcharge) Amendment Act 2002.....	40
<b>15. ORGANISATION.....</b>	<b>41</b>
15.1 Organisation structure.....	41
15.2 Staffing.....	41
15.3 Budget Information.....	41
<b>16. THANKS.....</b>	<b>41</b>
<b>17. STATISTICS.....</b>	<b>42</b>
Table 1 Monthly gaming statistics 2005-06.....	42
Chart 1 Gaming tax levied per month 2005-06.....	42
Table 2 Monthly gaming machine and venue installations 2005-06.....	43
Chart 2 Monthly gaming machine and venue installations 2005-06.....	43
Table 3 Data by ABS Local Government Area (LGA) 2005-06.....	44
Table 4 Net Gambling Revenue - 2001 to 2006.....	45
Table 5 Gaming tax - 2001 to 2006.....	45
Table 6 Average net gambling revenue per machine per day - 2001 to 2006.....	45
Table 7 Average total net gambling revenue per day type - 2001 to 2006.....	46
Table 8 Return to player - 2001 to 2006.....	46
Chart 3 Average return to player % - 6 monthly since commencement of gaming.....	46
Table 9 Live venues and machines - 2001 to 2006.....	47



Table 10	Number of clubs by machine range - 2001 to 2006.....	47
Table 11	Number of hotels by machine range - 2001 to 2006.....	47
Table 12	Gaming venues by business type - 2001 to 2006.....	48
Table 13	Gaming machines by business type - 2001 to 2006.....	48
Chart 4	Growth in gaming venues.....	48
Chart 5	Growth in gaming machines installed.....	49
Table 14	Average growth in operating machines - 2001 to 2006.....	49
Table 15	Manufacturer's share of gaming machine market - 2001 to 2006.....	49
Chart 6	Impact of harm minimisation measures on net gambling revenue.....	50
<b>18.</b>	<b>ORGANISATION CHART.....</b>	<b>51</b>
<b>19.</b>	<b>CONTACTS.....</b>	<b>52</b>





## 1. INTRODUCTION

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

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

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

The Commissioner is responsible for various functions including:

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



## 2. LEGISLATIVE AMENDMENTS

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

The *Gaming Machines Act 1992* was amended in 2004-05 by the *Gaming Machines (Miscellaneous) Amendment Act 2004*.

The Act reduced the number of gaming machines operating in the State and introduced a trading system for gaming machine entitlements. The Act also included a number of other miscellaneous technical amendments.

The majority of the amendments came into effect on 1 February 2005. However, amendments in relation to new service licence arrangements were not proclaimed until 22 June 2006 and are scheduled to take effect 1 July 2006 when the State Supply Board will no longer be the sole holder of the service licence. Under the new regime any number of service licences may be granted to suitable applicants, thus creating a competitive market for the servicing of gaming machines (refer 7.4).

### 2.2 *STATUTES AMENDMENT (LIQUOR, GAMBLING AND SECURITY INDUSTRIES) ACT 2005.*

The *Statutes Amendment (Liquor, Gambling and Security Industries) Act 2005* incorporated a package of reform amendments to the *Security and Investigation Agents Act 1995*, the *Liquor Licensing Act 1997* and the *Gaming Machines Act 1992* to deal with the infiltration of crime into the security and hospitality industries, and also violent and aggressive behaviour by crowd controllers at licensed premises, or licensed events by:

- introducing more robust fitness and propriety assessments of licensee and approved person applicants;
- facilitating removal of existing licensees and other approved persons who are involved with organised crime;
- introducing a system of approved crowd controllers operating in licensed premises; and
- providing for greater accountability by crowd controllers and licensees of licensed premises.

The Act amended the three Acts to allow the use of police intelligence in licensing decisions, and to provide that where such intelligence is used in any proceedings, which include applications and disciplinary proceedings under the Acts, that intelligence must not be disclosed to any person if the Commissioner of Police makes application for confidentiality. This extends to licensees, gaming machine managers and employees and other persons seeking to be approved under the *Gaming Machines Act 1992*, including crowd controllers who intend to work in licensed premises or at licensed events.

The amendments create a requirement for crowd controllers, who are already licensed by the Commissioner for Consumer Affairs, and who intend to work at licensed premises, or at licensed events, to also be approved by the Liquor and Gambling Commissioner.

The amendments tighten up the legislation to authorise only a licensee, a responsible person, a police officer, or such other person approved by the Liquor and Gambling Commissioner to require (as distinct from request) a person to leave licensed premises, or prevent entry.

Additionally, if a person is required to be removed, using reasonable force, this must be done under the direct supervision of an approved responsible person, ultimately placing responsibility with management. Physical removal or prevention of entry can only occur after the person has failed to comply with a request. The amendments also provide for an offence of "fail to quit licensed premises".



## 3. TRADING ROUND

The second trade in gaming machine entitlements was held on 21 September 2005. The closing date for applications for the second round was 14 September 2005.

The result of the trade was:

**Sellers** - 10 venues applied to sell a total of 75 entitlements.

This comprised 3 profit venues selling 26 entitlements and 7 non-profit associations selling 49 entitlements

### **Buyers**

149 venues lodged applications to buy a total of 976 entitlements

### **Allocations**

Of the 75 entitlements offered for sale, one-quarter (19 entitlements) were withheld from the pool which left 56 for distribution to purchasers. (See section on Withheld Entitlements below).

The regulations provide for 4 priority groups for the second trade round.

- First priority was given to any applicant who participated in the first trade round and who was unsuccessful in receiving an entitlement in the ballot. These applicants were given the first priority for one entitlement each.

There were 72 applicants in this category with priority for 72 entitlements.

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

There were 3 applicants in this category with priority for 6 entitlements.

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

There were 144 venues in this category seeking 898 entitlements.

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

There were no applicants for this category.

As there were only 56 entitlements available for sale and there were 72 applicants in the first priority group, a ballot was conducted to allocate the 56 entitlements. 16 applicants were unsuccessful in the ballot and did not receive any entitlements.

No applicants in the second and third priority were considered.





### **Payment**

Successful applicants were required to make payment of \$55,000 (inc GST) for each entitlement allocated to them in the trade, by 5 October 2005.

All applicants paid by the due date. A total of \$3,080,000 (\$55,000 x 56) was received from all purchasers.

The proceeds were distributed to the 10 sellers in the amount of \$41,066.67 (incl. \$3,733.33 GST) per entitlement offered for sale.

### **Vesting of Entitlements**

21 October 2005 was set as the date the traded entitlements vested with the purchasers and therefore purchasers were entitled to possess a machine on or after 21 October 2005. Under regulation 15, gaming machines must be installed within 6 months otherwise the entitlement will lapse. All successful purchasers installed gaming machines within the designated time frame.

All sellers were required to ensure that machines were removed from the premises by no later than 21 October 2005 which they did.

### **Withheld Entitlements**

The regulations provide for one-quarter of entitlements offered for sale to be withheld from the pool. Nineteen (19) entitlements were withheld from the sale pool.

Seven (7) of these entitlements were cancelled. This brings the number of machines removed from the State to 2202 (2168 removed as a result of the compulsory reduction plus 27 cancelled after trade one and 7 cancelled after trade 2).

Twelve (12) entitlements were transferred to Club One the holder of the special club licence.



## 4. SPECIAL CLUB LICENCE - CLUB ONE

### Background

The *Gaming Machines (Miscellaneous) Amendment Act 2004* provides for a single special purpose non-profit entity referred to as 'Club One' to be granted the special club licence if it satisfies the Commissioner that it is representative of a substantial number of clubs in the State and that it has available to it, the appropriate skills and expertise to operate gaming machines and conduct a gaming machine business.

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

Club One may:

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

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

### Granting of Special Club Licence

The special club licence was granted to Club One (SA) Ltd on 14 October 2005.

Club One is a company limited by guarantee.

Section 24A(1) of the Act provides that:

*"The special club licence is to be granted to a body (referred to in this Act as Club One) that, on making due application for the licence, satisfies the Commissioner -*

- that it is representative of a substantial number of clubs in the State; and*
- that it has available to it the appropriate skills and expertise to operate gaming machines, and conduct gaming machine business."*

The members of the company (as provided for under the company constitution) are Licensed Clubs Association of South Australia (Clubs SA), South Australian National Football League (SANFL) and Sports SA, which combined satisfied the requirements that it represents a substantial number of clubs in South Australia. The profits of Club One are to be distributed to sporting clubs and associations through a grants program.

Clubs SA and the SANFL represent approximately 95% of clubs holding gaming machine licences in South Australia. Club One (SA) Limited has access to the skills and expertise of both organisations together with the knowledge skills and expertise of the Club One board members. Club One will also have the capacity to engage consultants or advisors on any aspect of the operation of gaming machines and the conduct of gaming machine business. While any such contract or arrangement requires my approval I did not consider



this to be an impediment for the purpose of section 24A(1)(b) of the Act and accordingly I was satisfied that Club One had available to it, the appropriate skills and expertise to operate gaming machines and conduct gaming machine business.

#### Licence Conditions

The licence is subject to any condition imposed by the *Gaming Machines Act 1992* and its Regulations.

Under section 24A(4)(c) of the Act, I imposed the following further conditions:

1. the licensee must seek the prior written approval of the Commissioner for any changes to the constitution of Club One (SA) Limited;
2. the licensee will submit for the Commissioner's approval any finance contract, agreement or arrangement relating to the operation of Club One (SA) Limited;
3. the licensee must seek the prior written approval of the Commissioner before entering into an agreement under which Club One (SA) Limited possesses approved gaming machines and operates them on premises in respect of which someone else holds a gaming machine licence as agent of the holder of the gaming machine licence;
4. the licensee must seek the prior written approval of the Commissioner before engaging any person as an employee, or any person party to an agreement which is required to be approved by the Commissioner. Note: In determining whether a person is fit and proper for this purpose, the Commissioner will treat the application as if it was an application made under Part 4 of the Gaming Machines Act;
5. the licensee must seek the prior written approval of the Commissioner for any contract or arrangement entered into between Club One (SA) Limited and any other party for the provision of technical and management services or any profit sharing arrangement or agreement.

#### **Club One Agreements**

Section 24A(4) of the Act and the conditions on the special club licence require that certain agreements be submitted for my approval. In 2005-06 I approved the following agreements:

1. Short Term Funding Arrangements:

Agreements lodged in conjunction with the licence application for short term funding of \$345,000 to support Club One's establishment and start up requirements provided by: the Salisbury North Football Club/Bank SA, Clubs SA (repayable loan), Best Masonry Bricks and Pavers and Club Management Services Pty Ltd.

2. A further loan agreement with Best Masonry Bricks and Pavers which increased its initial loan approved in conjunction with the licence application.
3. An agreement with Adelaide Juventus Sports & Social Club ("ASC") under which Club One is to allocate a total of 40 entitlements to ASC subject to it obtaining a gaming machine licence.
4. Short-term agreements between Club One and eight hotels for the allocation of 27 entitlements held by Club One on a short-term basis. Refer below for details.



### **Allocation of Gaming Machine Entitlements**

Club One applied for approval under Section 27C of the *Gaming Machines Act 1992*, to allocate 27 gaming machine entitlements held by it to 8 hotels. The number of entitlements varied from 1 to 6.

The purpose of Club One allocating gaming machine entitlements to the host hotels on a short term basis pending permanent allocation either to Adelaide Juventus Sports and Social Club Inc or to some other venue was to generate revenue from an otherwise unused asset. I directed that the application be notified to Clubs SA and the Australian Hotels Association (AHA) and gave the parties an opportunity to make a submission. The AHA elected to be heard on the application and the matter was heard on 24 May 2006.

I advised in my decision that I was concerned about the proposal. I am of the opinion that the concept of Club One is based on returns to the club industry to redress the imbalance between hotels and clubs, but I accepted the short term allocations would generate income to Club One.

I was also concerned about the openness and transparency of the process of selecting the host venues. I was concerned that members of a particular company had been given priority over South Australian clubs and other hotels without a tender or expression of interest process.

In my opinion, the entitlements should have been offered to the club industry and failing any commercially viable expression of interest to host the entitlements, through open tender to the industry.

On the evidence given at the hearing I accepted that the South Australian club industry and individual clubs did not express an interest to host entitlements. However, I suspected that there may have been other hotel gaming licensees who would have.

Normally I would have refused the application but I was not prepared to stop a much needed income stream to Club One.

I approved the agreements but only until 31 October 2006. If Club One seeks to extend them it must satisfy my concerns about openness and accountability.



## 5. DISABLING AND REMOVAL OF EXCESS GAMING MACHINES

The *Gaming Machines (Miscellaneous) Amendment Act 2004* provided for a compulsory reduction in gaming machine numbers effective 1 July 2005.

Under section 16(5) of the Act, I granted licensees affected by the compulsory reduction a temporary authorisation to possess (but not to operate) excess machines to enable the orderly disposal of the gaming machines which licensees were no longer authorised to operate. This authorisation expired on 5 August 2005.

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

Licensees with excess gaming machines were asked to nominate those machines which were to be disabled on 1 July 2005 and then subsequently removed. A number of licensees had elected to remove excess machines in the months prior to 1 July 2005. Approximately 750 had already been removed by 30 June 2005.

As IGC's central monitoring system was not capable of disabling the surplus machines simultaneously at midnight on 30 June 2005, I directed licensees to ensure that excess machines were clearly identified with a sign stating "this gaming machine not to be operated" and for them to remain powered on and connected to the monitoring system. Liquor and gaming inspectors conducted random inspections at a number of venues on the night of 30 June/1 July 2005 to ensure compliance with these instructions. No breaches were identified.

On 1 July 2005, IGC advised that all affected machines were disabled.

Service agents began the process of removing excess machines from venues from 4 July 2005. The order in which venues were attended was developed by the service agents and approved by me. Generally, venues which applied to purchase entitlements in the May trade were scheduled after venues which did not apply.

All machines were removed prior to the temporary authorisation to possess excess machines which expired on 5 August 2005.

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

Regulation 12 of the *Gaming Machines Regulations 2005* allows licensees who lost machines as a result of the compulsory reduction in gaming machine numbers, to store the excess machines at an approved location with an approved custodian, for a period not exceeding 2 years or 2 months after the third trading day (whichever is the longer).

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



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

An exemption pursuant to regulation 12 was granted by the Minister on 10 June 2005.

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

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

A total of 141 gaming machines from 39 venues were placed in storage. As at 30 June 2006 86 machines from 23 venues remained in storage.



## **6. TRANSFER OF ENTITLEMENTS BETWEEN NON-PROFIT ASSOCIATIONS**

Section 27B(1)(c) of the Act provides that “*a non-profit association that holds a gaming machine licence may transfer a gaming machine entitlement to another licensed non-profit association, under an arrangement approved by the Commissioner, for the purpose of facilitating merger of amalgamation of gaming machine operations for the benefit of both non-profit associations.*”

On 17 March 2006, I approved an application by the Renmark Rovers Football Club Inc and Renmark Club Inc to transfer 8 entitlements held by the Renmark Rovers Club Inc to the Renmark Club Inc. The eight gaming machines were removed from the Renmark Rovers Football Club Inc on 27 April 2006. The transfer therefore was effective from that date.





## **7. GAMING LICENCES**

### **7.1 GAMING MACHINE LICENCES**

A gaming machine licence authorises the holder to possess and operate gaming machines. Each gaming machine licence shows the number of approved machines (the maximum number is 40) and the number of gaming machine entitlements. One gaming machine entitlement authorises the licensee to operate one machine.

To be eligible to apply for a gaming machine licence a person 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 2006 there were 578 active gaming machine licences, under the following categories of liquor licence:

466	Hotels
74	Clubs
38	Special Circumstances

A further 19 licences were under suspension for various reasons.

One new gaming machine licence was granted during the reporting period.

6 licensees surrendered their gaming machine licence as a result of selling all of their entitlements through the trading scheme.

### **7.2 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.

#### **7.2.1 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.

#### **7.2.2 System Upgrade**

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

#### **7.2.3 Secure Internet Based Customer Reporting Facility**

In November 2005, IGC requested approval to replace the existing 'tape robot' with a solid state "Data Diode" for securely connecting the monitoring system and IGC web site networks. The Data Diode allows data to be





transferred to the website's database without exposing the monitoring system network to external access. In essence it is a value which protects the integrity of the monitoring system network from the outside world.

I approved the Data Diode in December 2005.

IGC's internet reporting facility, which allows gaming machine operators and manufacturers to access information and reports from the monitoring system via the Internet, continued to operate throughout 2005-06.

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

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

At 30 June 2006, there were 295 operators and 5 manufacturers utilising the Secure Internet Based Customer Reporting Facility.

#### **7.2.4 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 232 as at 30 June 2005 to 240 as at 30 June 2006.

#### **7.2.5 Fees**

IGC charges an establishment fee for new gaming machine operators. This was maintained at \$1,500 plus \$150 GST for 2005-06. A monitoring fee is charged for each gaming machine connected to the monitoring system and is charged at a monthly rate. Monitoring fees are the prime source of income for the IGC and must cover all the Corporation's costs. Monitoring fees are approved by the Minister and are reviewed on a regular basis. The Minister approved a monitoring fee of \$39.54 per machine per month plus \$3.95 GST effective 1 July 2005 to 30 June 2006. This fee increased from \$37.40 per month which was charged for the previous three years.

#### **7.2.6 Gamblers' Rehabilitation Fund**

During the reporting year, the Independent Gaming Corporation Ltd provided \$1.5 million to the Gamblers' Rehabilitation Fund which is administered by the Department for Family and Communities.

#### **7.2.7 Board Members**

The Directors of the Independent Gaming Corporation Ltd during the 2005-06 year were:

- Mr Colin Wayne Dunsford - Chairman
- Mr Peter John Hurley - Deputy Chairman
- Mr Peter Laurence Brien (appointed 8 November 2005)
- Mr William Cochrane
- Mr Brett Matthews (resigned 30 September 2005)
- Mr Steven Ploubidis (resigned 2 December 2005)
- Mr Robin James Guy



- Mr Brian Robert Michael Hayes (appointed 1 July 2005)
- Mr Cameron Murray Taylor (appointed 6 February 2006)

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

### **7.3 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 2006, the two approved agents of the Board were:

- James MacGuire
- John Leaton Harris

### **7.4 GAMING MACHINE SERVICE LICENCE**

Section 14(2) of the Act has been amended by removing the requirement that there be only one gaming machine service licence and section 26 has been amended by removing the requirement that the gaming machine service licence be granted to the State Procurement Board. The Act now provides for the grant of gaming machine service licences to any suitable applicant.

The sections of the Act relating to service licences were proclaimed on 22 June 2006 and will come into operation on 1 July 2006.

During May and June, preparations were made for the new service licence arrangements.

A number of bulletins were issued to licensees advising them of the legislative and regulatory changes and of their obligations in relation to the changes.

On 30 May 2006, I issued a Bulletin to all licensees advising that :-

- Existing service contracts with Bytecraft Systems Pty Ltd, as an approved agent of the State Supply Board, would expire on 1 July 2006.
- From 1 July, every licensee must have a new service contract with the holder of a service licence.
- Bytecraft, a likely applicant for a service licence, was developing new contracts and I expected that licensees would be contacted shortly with details of the service contracts available.
- If there were to be new entrants to the gaming machine service industry in South Australia, I expected that they would also contact licensees.

I also advised licensees that I intend to amend condition (r) of Attachment B conditions in line with the amendments to the Act. The current condition (r) requires that the licensee have a functional contract with the State Supply Board. From 1 July 2006, the condition will be amended such that the licensee must have a functional contract for the servicing of gaming machines with a holder of a service licence. If licensees do not have such a contract in place, it will be a breach of a licence condition and I may take appropriate disciplinary action.



During June, applications for service licences were received from Bytecraft and a number of its regional sub-contractors. I met with Bytecraft and, separately, with representatives of the sub-contractors to discuss the criteria which would be applied in considering the grant of a licence.

A principle consideration will be the applicant's ability to offer its services to all gaming operators. I indicated that an applicant would need to satisfy me that it could service all venues, either directly or by way of agreements with affiliated service licensees. This will ensure that services are available, particularly to remote venues, and that service licensees will not be able to limit services to only those venues which might be the most commercially rewarding.

Other criteria includes :-

- that the applicant is fit and proper to hold a licence;
- that the applicant has the necessary technical and business expertise;
- that the applicant has the capacity to hold sufficient quantities of spare parts and equipment;
- the hours of business and response times;
- the relevant skills and experience of gaming technicians;
- the terms and conditions provided in venue service contracts.

The outcomes of the applications for service licences by Bytecraft and its sub-contractors and the conditions imposed on any licences granted will be provided in my 2006-07 report.

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

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

- Telstra Corporation Ltd
- Bytecraft Services Pty Ltd
- IGA Technology Pty Ltd
- IOCANE Pty Ltd
- IBM Ltd
- INS Progressive Computing Pty Ltd
- Hewlett Packard
- McAfee
- Scientific Games Online Entertainment Systems Inc
- Chubb Security Australia Pty Ltd
- Wormald Fire Systems
- Computer Site Services
- Firewall Systems
- First Five Minutes
- Internode Systems Pty Ltd
- St George Bank Ltd
- Trend Micro Incorporated

## **7.5 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, no new gaming machine dealer's licence were granted.

There are 19 gaming machine dealer's licences granted as at 30 June 2006. Of these, 11 actively operated in the South Australian market during 2005-06. Six of these manufacture and sell approved gaming machines while the others purely sell new or second-hand approved machines.





## 8. APPROVAL OF PERSONS

Licensees are required to seek my approval for individual persons who occupy various positions or who have associations with licences.

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

As at 30 June 2006, a total of 7,982 persons were approved under the *Gaming Machines Act 1992*.

### **8.1 APPLICATIONS FOR APPROVAL**

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

During 2005-06 a total of 3,698 persons were approved under the various categories of the *Gaming Machines Act 1992*.

The *Statutes Amendment (Liquor, Gambling and Security Industries) Act 2005* amended section 19 of the *Gaming Machines Act 1992* to include a person's reputation, honesty and integrity and the reputation of the person's known associates when determining whether a person is a fit a proper person to hold a licence or occupy a position of authority in a trust or corporate entity that holds a licence.

The Amendment Act also amended the *Gaming Machines Act 1992* to allow the use of criminal intelligence in licensing decisions, and to provide that where such intelligence is used in any proceedings, which includes applications under the Act, that intelligence must not be disclosed to any person if the Commissioner of Police makes application for confidentiality. This extends to licensees, gaming machine managers and employees and other persons seeking to be approved under the *Gaming Machines Act 1992*, including crowd controllers who intend to work in licensed premises or at licensed events.

If an application for approval is refused or an approval is proposed to be revoked or is revoked and the decision to do so is based on criminal intelligence, no grounds or reasons for the decision, other than to grant the application would be contrary to public interest or that it would be contrary to the public interest if the approval were to continue in force, is required.

#### **8.1.1 Applications Refused**

During 2005-06 two applications for approval under the *Gaming Machines Act 1992* were refused.

One application was refused on the basis that the person for whom the applicant was seeking approval had appeared in Court charged with using amphetamines and was subsequently fined \$500 without conviction. The applicant was given the opportunity to answer questions in relation to



circumstances surrounding the Court appearance. Based on the information provided I was satisfied that the person was not fit and proper.

The other application was refused on the basis that the person for whom the applicant was seeking approval did not declare a number of serious convictions.

### **8.1.2 Approvals Revoked**

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

During 2005-06, I conducted a hearing in relation to the revocation of approval for one gaming machine employee. The person had signed a false statutory declaration of criminal history in her application to be approved as a gaming machine employee. The person was found guilty in the Magistrates Court and given a 4 month suspended sentence. I revoked the person's approval as a gaming machine employee.



## **9. MONITORING AND COMPLIANCE**

### **9.1 GAMING MACHINE VENUES (HOTELS AND CLUBS)**

The Office of the Liquor and Gambling Commissioner currently employs 10 liquor and gaming inspectors who have responsibility for inspecting 4,700 licensed venues in the State (597 of which hold gaming machine licences) and 2 compliance officers who are responsible for investigation of complaints under liquor, gaming and wagering legislation. The inspectorate is integrated with no staff specifically dedicated as gaming machine venue inspectors.

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

Gaming machine premises have been categorised as high risk, with a scheduled inspection of at least once every 12 months. Typically most gaming machine premises are inspected more than once a year.

#### **9.1.1 New Compliance Reporting System**

I received funding in the 2004-05 budget to develop a new computer system to assist in reporting on compliance by licensees.

The new system now incorporates the application, inspection and compliance functions under all legislation (liquor, gaming, casino and wagering) and provides for the recording of greater detail of information and improved retention of historic data.

The new system will enable me to better allocate appropriate resources towards a “risk-based audit” approach where there will be a greater emphasis on high level of non-compliant items and I will be able to target venues that re-offend on compliance requirements.

I anticipate that this will assist in a reduction of non-compliance.

#### **9.1.2 Self Assessment Compliance Audit Checklists**

To assist licensees in understanding and complying with the numerous requirements under Liquor, Gaming and Wagering legislations, my Office developed a comprehensive self-assessment compliance audit checklist.

Four checklists (covering the Liquor, Gaming and Wagering Legislations) were sent to licensees in July 2005.

Completion of the checklist is not mandatory and licensees are not required to provide my Office with a completed copy. They have been developed purely as a tool for licensee’s benefit.

It was recommended to the licensees that they conduct the audits every three months and that it be signed by a gaming machine manager, responsible person and the licensee or an operating director.

This initiative has been well received by the industry.



### **9.1.3 Gaming Care**

The Australian Hotels Association South Australian Branch has established a Hotels Responsible Gambling Early Intervention Agency, aimed at reducing gambling-related harm by working with hotel management and staff on-site. The agency trades under the name 'Gaming Care'.

Amongst other things, two of the objectives of Gaming Care are to:

- provide assistance to gaming licensees and managers in relation to compliance with regulatory Codes of Practice; and
- undertake audits of gaming venues on a voluntary basis to assist venues in complying with the regulatory Codes of Practice.

My Office constantly liaises with Gaming Care and provides advice on a number of compliance related issues.

### **9.1.4 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 1995*, licence conditions and codes of practice.

During 2005-06 a total of 619 inspections were conducted of the State's gaming machine venues.

Inspections include:

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

#### **Routine Inspections**

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

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

Every endeavour is made to inspect venues with a gaming machine licence at least once a year. However, since the new codes of practice were introduced on 30 April 2004, inspectors have experienced a significant increase in time spent per inspection. Primarily this is due to significantly more items now being inspected per visit and inspectors spending more time advising licensees and answering questions about the codes of practice and general queries.

There were 114 venues not inspected in 2005-06. However, the majority of these venues were last inspected in the later months of the 2004-05 year and are scheduled to be inspected in early months of 2006-07.





The time taken for an inspection resulted in a decrease from 814 inspections in 2004-05 to 619 in 2005-06.

Matters which form part of routine inspections include ensuring that:

- the licensee is complying with the Responsible Gambling Code of Practice, including that:
  - signs, posters, pamphlets, stickers and cards are displayed correctly;
  - licensees have and maintain a responsible gambling document which describes the names and roles of staff in implementing the code and policies in relation to dealing with requests to self-exclude;
  - staff have undertaken all training requirements;
- the layout of the gaming area conforms with the approved layout;
- cash facilities are located outside of the designated gaming area;
- signage including warning notices to minors is prominently displayed;
- approved persons are wearing appropriate identification;
- the area is adequately supervised;
- gaming machine log books have been properly completed;
- gaming machines are in acceptable operating condition;
- copies of barring notices issued by the Independent Gambling Authority are kept on the premises and made available to staff and appropriate procedures have been developed to ensure that excluded persons do not enter or remain in a gaming area.

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

### **Inspections by Complaint**

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

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

A summary of complaints received during 2005-06 is included in Section 10 of this report.

### **Compliance by Licensee Disclosure**

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

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



### Media Monitoring

The new advertising code of practice commenced on 30 April 2004. I engage a media monitoring service to provide my Office with copies of gambling advertisements placed in the Advertiser, Messenger newspapers and country press newspapers. Copies are provided twice a week and are examined by my officers for compliance with the various clauses of the code. For the 2005-06 year, 703 advertisements were examined.

I considered that one advertisement breached clause 3(2)(e) of the Advertising Code of Practice. The licensee responded and accepted it was in breach. Based on the submission made by the licensee, I did not proceed with disciplinary action.

### 9.1.5 Breaches

During 2005-06 the following breaches were recorded during routine inspections:

	No. of incidents 2004-05	No. of incidents 2005-06
Signage not displayed (includes all signs, stickers, pamphlets, posters required by legislation, licence conditions and codes of practice)	660	195
Clocks not clearly visible	27	26
Gaming Layout not in accordance with approved layout	2	27
Barring notices not maintained correctly	7	6
Gaming Manager not on duty	2	3
Approved staff not wearing identification	12	1
Staff training certificates not available or staff not completed required training	198	90
Responsible Gambling Document not maintained	326	76
Machine Condition (monitors, buttons)	171	107

### 9.1.6 Trends

#### Non-compliance - Signage

The number of breaches relating to signage fell significantly from 660 in 2004-05 to 195 this year, a decrease of 70%. This decrease can be attributed to a number of factors:

- as this was the second full year of inspections since the new codes of practice were introduced on 30 April 2004, the industry has become more familiar with the signage requirements
- the introduction of the Self-Assessment Audit Checklist that provides details and examples of signage requirements
- assistance given to venues by Gaming Care.

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



## **Training**

Although, training requirements remain one of the major items identified as being non-compliant, there has been a significant decrease in the total number of breaches from 198 in 2004-05 to 90 in 2005-06, a decrease of 55%.

As has been the case in the past, the majority of the incidents of non-compliance relate to the venue not having the relevant training certificates available for inspection rather than the staff member not having completed the training.

## **Responsible Gambling Document**

The requirement for venues to develop a responsible gambling document remains one of the major items of non-compliance. However, as was the case with training requirements, there has been a significant decrease (77%) in the number of breaches compared to the previous year.

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

While the majority of venues now have this document, I am concerned that some venues fail to communicate the content or indeed the existence of this document to other staff members.

## **Gaming Machine Condition/Quality (Monitors & Buttons)**

At 30 June 2006, half of all operational gaming machines were more than 5 years old. For many older machines, support is no longer provided by the manufacturer, which often results in spare parts being unavailable.

Uncertainty within the industry has resulted in a dramatic fall in the rate of replacement of old gaming machines. Many licensees have decided not to buy new machines despite the lack of manufacturer's support and unavailability of new games for their older machines. If this trend continues, the proportion of machines older than 5 years will increase significantly next year.

Regardless of the age of gaming machines, licensees are required to ensure that they are maintained to an acceptable standard. OLG inspectors assess the condition of gaming machines as part of the routine inspection of gaming areas. While this will always be a subjective assessment, my inspectors apply a reasonable and consistent approach to ensure that machines offered to the public meet an acceptable standard.

In February 2006 I reviewed the standard procedures for cases where inspectors identify gaming machines in sub-standard condition. Changes to the procedures were made to ensure a consistent approach to all such cases.

Licensees are now notified of any gaming machine quality issues identified during an inspection and are required to provide, within 28 days, documentary evidence that the problems have been addressed or that the machine has been replaced or removed. This is usually provided in the form of a service report from the service agent or a completed sale or disposal order with the State Supply Board.

Licensees who fail to comply within 28 days will face disciplinary action.



### **Gaming Layout**

Venues affected by the compulsory removal of gaming machines needed to have the gaming area redefined or layout varied. As the physical removal of the machines was scheduled to occur between 1 July 2005 and mid August, I gave an undertaking that the changes would not need to be lodged with my Office until after the second trading round. This gave licensees an opportunity to purchase lost entitlements.

A number of licensees have overlooked this requirement, which has resulted in a significant increase in the number of unapproved gaming areas and gaming layouts detected during routine inspections. Disciplinary action was initiated in those cases.

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

The total number of breaches shown 9.1.5, decreased by over 60% from the number reported in 2004-05.

I believe this decline is due to the efforts of inspectors, the introduction of the self-audit assessment checklist, the AHA's Gaming Care initiative, regular bulletins, information distributed through the Licensee Update newsletter and advice given by staff of my Office.

I expect this trend to continue for the 2006-07 year.

## **9.2 MONITORING SYSTEM**

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

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

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

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

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

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

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



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

As there were no modifications made to the monitoring system during the year, no baseline procedures were conducted during 2005-06.

Scrutiny is also maintained via the review and analysis of reports which are generated by the monitoring system. These reports are reviewed and analysed by specialist staff within my office. The reports are used both to scrutinise the operations of IGC as well as the operations of machines operated in the field.

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

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

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

There were 7 amendments to the procedure manuals for the AGS monitoring system approved during 2005-06. My Office found no unauthorised adjustments made to data and no alterations were made to the system without my approval.

### **9.2.1 Replacement of the Existing Monitoring System**

In August 2005, IGC sought my approval to enter into a contract with Scientific Games Worldwide (SGW) for the replacement and support of the gaming machine monitoring system.

The replacement project will see the existing AGS system replaced by SGW's new AEGIS monitoring system. Site Controllers in every gaming venue will also be replaced with a new Terminal Controller; a device which will be capable of simultaneously supporting the existing VLC communication protocol and an additional yet to be determined protocol.

The AEGIS system is already operating successfully in a number of overseas jurisdictions. However, some modifications will be required before it can be commissioned in South Australia. This is mainly due to the use of the VLC 'E2' communication protocol by SA gaming machines.

The contract with SGW includes the ongoing support for both the existing AGS and proposed AEGIS systems until 2015. The contract is worth over \$10m and represents a significant proportion of IGC's operating costs over the life of the contract.

I approved IGC's contract with Scientific Games on 19 August 2005.

As at 30 June 2006, IGC and SGW are finalising the functional specification for the new AEGIS system. Installation and commissioning of the new system is scheduled for late 2007.



## 10. COMPLAINT INVESTIGATIONS

The Office investigated a total of 16 complaints during 2005-06 in respect of the conduct of gaming operations by licensed hotels and clubs.

### 10.1 SUMMARY OF COMPLAINTS

Type of complaint	No. of incidents	Outcome				TOTAL
		No fault	Cautioned	Insufficient Evidence	Referred to SAPOL	
Sec 51(1) GMA - Approved gaming manager or employee playing gaming machines on premises	1			1		1
Sec 59(1) GMA - Barred person enters or remains in a gaming area	2				2	2
Sec 59(4) GMA - Barred person allowed to enter gaming area	1		1			1
Condition (y) Attachment B - a patron must be able to purchase and consume a beverage in an area that is not the designated gaming area	2		2			2
Clause 4(3) RGCOP - Person allowed to play two machines at a time	2			2		2
Clause 6(1)(a)(b) RGCOP - Gambling provider will take all practicable steps - to prevent a person who appears to be intoxicated from being allowed to gamble and to prevent the entry of intoxicated people into gambling areas, or them remaining there	2		1	1		2
Clause 6(1)(c) RGCOP - alcohol supplied to encourage continued gambling	2	2				2
Clause 8(2) RGCOP - Provide a cheque in respect of winnings of \$1,000 or more within 24 hours	2	2				2
Clause 2(a) & (b) ACOP - Advertising is not directed at minors and does not portray minors participating in gambling activities	1	1				1
Clause 3(2)(f) ACOP - Advertising does not state or imply that gambling is a means to pay for household staples, education or rent, or to meet mortgage commitments	1	1				1
<b>TOTALS</b>	<b>16</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>16</b>

<sup>1</sup> complaints relate to a number of venues

ACOP - Advertising Code of Practice  
GMA - Gaming Machines Act  
RGCOP - Responsible Gambling Code of Practice  
SAPOL - South Australian Police



## **10.2 PAYOUT DISPUTES AND MALFUNCTIONS**

There were 16 complaints received during 2005-06 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.

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 2005-06 two applications for review were received under section 76 of the Act. Following an investigation into the incidents, the patron's claim could not be supported.



## 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 (including codes of practice).

Section 36 provides that I may:

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

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 PROPOSED DISCIPLINARY NOTICES ISSUED

Reason for proposed disciplinary notice	Legislative Reference	No. of notices
Multiple breaches detected during inspection	Various	40
Gaming staff not completed training	Contravention of licence conditions (nb) & (w)	6
Responsible Gambling Document not maintained	Contravention of Clause 2(b) RGCOP	18
Licensee ceased to operate gaming machines on premises subject to gaming machine licence	Contravention of Section 36(g) GMA	3
Service Agent agreement not maintained	Contravention of licence condition (r)	2
Gaming room was only room of venue available to patrons at a certain time	Contravention of condition (y) Attachment B	1
Advertisement did not comply with Advertising and/or Responsible Gambling Code of Practice	Contravention ACOP and/or RCCOP	1
Prevent the entry of intoxicated people in gaming areas or remaining there	Contravention of Clause 6(1) RGCOP	1
Supply of unapproved software	Contravention of Section 4 of Gaming Machine Regulations	1
Other*		2
<b>TOTAL</b>		<b>75</b>





GMA - Gaming Machines Act 1992  
ACOP - Advertising Code of Practice  
RGCOP - Responsible Gambling Code of Practice

\* Refers to proposed disciplinary notices issued to the same licensee on two occasions for defaulting on gaming tax a number of times. The first notice also included outstanding debts to Bytecraft Systems Pty Ltd and the Independent Gambling Corporation terminating the Monitoring Services Agreement due to non-payment of monitoring fees thus calling into question the creditworthiness of the licensee.

Disciplinary action was taken in the form of reprimands in 23 cases (including 3 from disciplinary action initiated in 2004-05).

In 29 cases, no action was taken (including 6 from proposed disciplinary action initiated in 2004-05).

Thirty two matters had not been determined as at 30 June 2006.

## **11.2 SUMMARY OF DISCIPLINARY ACTION TAKEN**

During 2005-06 the following disciplinary action was taken:

<b>Premises</b>	<b>Licensee (at time of inspection/complaint)</b>	<b>Breach Details</b>	<b>Action Taken</b>
Hotel Augusta	Morgan's Australia Pty Ltd	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> <li>Section 11 GMA - Barring notices not maintained in area accessible to staff or located/displayed were members of the public can access them.</li> </ul>	Reprimand
Cape Jervis Tavern	Flexiplan Pty Ltd	Failed to comply with: <ul style="list-style-type: none"> <li>Section 57 GMA - Warning to Minors sign not prominently displayed.</li> <li>Section 54 GMA - Gaming Licence not displayed at principal entrance</li> <li>Condition (n) Attach B - Rules Ancillary to Gaming sign not prominently displayed</li> <li>Clause 2(a)(i) &amp; (ii) RGCOP, Cond (u) - Governed by Code of Practice (prominent) and Code not available</li> <li>Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>Section 57 GMA - Notice of Warning to minors sticker not affixed to each machine worn/illegible</li> <li>Section 53B(1)(b) GMA - Security Box located near the site controller not locked.</li> <li>Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> <li>Cond (w) Attach B &amp; Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand
Hotel Flinders	M & A Van Den Kieboom and D Terminello	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Rising Sun Hotel (Lobethal)	Cairdeas Pty Ltd	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> <li>Section 54 GMA - Gaming Licence not displayed at principle entrance</li> <li>Cond (u) Attach B - Playing of more than one machine sticker not affixed to each machine or</li> </ul>	Reprimand



		<p>worn/illegible</p> <ul style="list-style-type: none"> <li>▪ Clause 4(1)(a) &amp; 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility or worn/illegible</li> <li>▪ Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>▪ Clause 5(1)(a) RGCOP - Responsible Gambling Poster not prominently displayed within each gaming area</li> <li>▪ Clause 5(1)(a) RGCOP - Responsible Gambling Pamphlets not accessible in gaming area</li> <li>▪ Cond (w) Attach B &amp; Clause 10 RGCOP - Training requirements not met-</li> <li>▪ Clause 2(a)(i) &amp; (ii) RGCOP - Governed by Code of Practice (prominent) and Code not available</li> </ul>	
Mount Torrens Hotel	Descent Pty Ltd	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> <li>▪ Cond (w) Attach B &amp; Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand
Williamstown Hotel	Two Heads Pty Ltd	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP -Responsible Gambling document not maintained</li> <li>▪ Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>▪ Clause 5(1)(a) RGCOP - Responsible Gambling Pamphlets not accessible in gaming area</li> </ul>	Reprimand
Highercombe Golf & Country Club	Highercombe Golf & Country Club Inc	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> <li>▪ Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>▪ Clause 5(1)(a) RGCOP -Responsible Gambling Poster not prominently displayed within each gaming area</li> <li>▪ Clause 5(1)(a) RGCOP - Responsible Gambling Pamphlets not accessible in gaming area</li> <li>▪ Clause 2(a)(i) &amp; (ii) RGCOP, Cond (u) Attach B - Governed by Code of Practice (prominent) and Code not available</li> </ul>	Reprimand
Old Bakehouse	David Roy Piper & Susan Colleen Piper	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> </ul>	Reprimand
Kensington Hotel	P&J Hurley Pty Ltd, Goodthing Enterprises Pty Ltd, Hurley/Symons Pty Ltd, Brien Marmion Pty Ltd, CJ & KJ Eitzen Pty Ltd & Roo Pty Ltd	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Section 57 GMA - Warning to Minors sign not prominently displayed</li> <li>▪ Section 54 GMA - Gaming Licence not displayed at principle entrance</li> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> <li>▪ Cond (c) Attach B - Rules Ancillary to Gaming sign not prominently displayed</li> </ul>	Reprimand
Dockside Tavern	Aloisi, F	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Cond (w) Attach B &amp; Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand



		<ul style="list-style-type: none"> <li>▪ Section 57 GMA - Warning to Minors sign not prominently displayed</li> <li>▪ Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility or worn/illegible</li> <li>▪ Clause 5(2)(b) RGCOP - Helpline Cards not available</li> <li>▪ Cond (u) Attach B - Playing of more than one machine sticker not affixed to each machine or worn/illegible</li> <li>▪ Clause 5(1)(a) RGCOP - Responsible Gambling Poster not prominently displayed within each gaming area</li> <li>▪ Clause 5(1)(a) RGCOP - Responsible Gambling Pamphlets not accessible in gaming area</li> <li>▪ Clause 2(a)(i) &amp; (ii) RGCOP - Governed by Code of Practice (prominent) and Code not available</li> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> </ul>	
Cornwall Hotel	Jasateal Pty Ltd	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> <li>▪ Cond (u) Attach B - Playing of more than one machine sticker not affixed to each machine or worn/illegible</li> <li>▪ Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility or worn/illegible</li> <li>▪ Section 57 GMA - Warning to Minors sign not prominently displayed</li> <li>▪ Cond (h) Attach B - Gaming Machine Entry Log Book not properly maintained</li> <li>▪ Cond (w) Attach B &amp; Clause 10 RGCOP - Training requirements not met</li> <li>▪ Clause 2(a)(i) &amp; (ii) RGCOP - Governed by Code of Practice (prominent) and Code not available</li> </ul>	Reprimand
Bute Hotel	Pamrae Pty Ltd	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Gaslight Tavern	Arro Pty Ltd	<ul style="list-style-type: none"> <li>▪ Clause 5(1)(a) RGCOP - Responsible Gambling Pamphlets not accessible in gaming area</li> <li>▪ Section 57 GMA - Warning to Minors sign not prominently displayed</li> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> </ul>	Reprimand
Port Broughton Sunnyside Motel	Waywen Holdings Pty Ltd	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Glenelg Football Club	Glenelg Footballers Club Inc	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> </ul>	Reprimand
Federal Hotel Motel	Burtons Hotel Pty Ltd	<p>Failed to comply with:</p> <ul style="list-style-type: none"> <li>▪ Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand



Old Bush Inn	Jumarkat Pty Ltd	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Konami Australia Pty Ltd	Konami Australia Pty Ltd	Failed to comply with: <ul style="list-style-type: none"> <li>Regulation 4 - Supplied unapproved game software to State Procurement Board</li> </ul>	Reprimand
Esplanade Hotel	Australian Leisure and Hospitality Group Limited	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP - Responsible Gambling Document not maintained</li> </ul>	Reprimand
Globe Derby Park	SA Harness Racing Club Inc	Failed to comply with: <ul style="list-style-type: none"> <li>Section 54 GMA - Gaming Licence not displayed at principle entrance</li> <li>Clause 2(a)(ii) RGCOP - Code of Practice not available</li> <li>Clause 5(1)(a) RGCOP - Responsible Gambling Poster not prominently displayed</li> <li>Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility or worn/illegible</li> </ul>	Reprimand
Gawler Arms Hotel	Giannitto A, & Sons Pty Ltd	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> </ul>	Reprimand
Tantanoola Tiger Hotel	Pearce D N & J M	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 4(1)(a) and 5(2)(a) RGCOP - Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility or worn/illegible</li> <li>Cond (u) Attach B - Playing of more than one machine sticker not affixed to each machine or worn/illegible</li> <li>Clause 2(b) RGCOP -Responsible Gambling Document not maintained</li> <li>IGA Direction, Section 11 GMA - Procedure to ensure that persons barred by the IGA do not enter or remain in the gaming areas and to detail how requests for self-barring are handled</li> <li>Cond (w) Attach B &amp; Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand
Loxton Club	Loxton Club Inc	Failed to comply with: <ul style="list-style-type: none"> <li>Clause 5(1)(a) RGCOP - Responsible Gambling Poster not prominently displayed</li> <li>Cond (w) Attach B &amp; Clause 10 RGCOP - Training requirements not met</li> </ul>	Reprimand

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



## 12. APPROVALS OF GAMES AND MACHINES

### 12.1 TESTING AND EVALUATION OF GAMING MACHINES

Schedule 1(a) under the *Gaming Machines Act 1992* provides that only approved gaming machines, games and prescribed components may operate in South Australia. Section 40 of the Act then gives me the power to approve machines, games and equipment.

Testing and evaluation of gaming machines has been conducted primarily by GLI (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 2006, 33 machines and 386 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 2005 to 30 June 2006: -**

Orders approving a new game	36
Orders approving a new version of a game	13
Orders revoking the approval of a game	84
Orders approving a new gaming machine	1
Orders approving a modification to a gaming machine	43
Orders revoking the approval of a gaming machine	0

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

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

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

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

During 2005-06, the Panel continued its third review of the operations of the current ATFs - GLI, BMM and TST.

A general call for expressions of interest from suitable organisations to be assessed by the Panel was advertised in August 2005. While a number of organisations made enquiries, only Melbourne-based Enex Pty Ltd made a submission to the Panel, seeking assessment against the Accreditation Guidelines.



The Panel has been assessing the suitability of Enex since November 2005. A report to participating Australasian regulators is expected toward the end of 2006.

## **12.2 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 Manufacturers' Forum which is held in Sydney following the Australasian Gaming Expo.

Following the 2004 Forum, manufacturers asked that amendments to the Standard be made every two years instead of annually. Gaming regulators agreed and, as a result, there was no Forum in 2005.

The Working Party has met several times throughout 2005-06. Much work has been done during recent months in preparation for the 2006 Manufacturers' Forum which will be chaired by the Liquor and Gambling Commissioner for South Australia.

Along with most other Australian and New Zealand regulators, the South Australian technical standards for gaming machines are based on the latest revision of the National Standard Rev 8.0, which became effective on 1 June 2005. As of 1 June 2005, all submissions of new gaming machines and games have been evaluated against the National Standards for Gaming Machines Rev 8.0 plus the South Australian Appendix Rev 5.0.

## **12.3 APPROVAL OF GAMES**

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.

### **12.3.1 IGA Game Approval Guidelines - Non-linear games**

In July 2005, I wrote to the Authority recommending that clause 2.(2)(a) of the Guidelines be clarified to describe a characteristic which promotes and/or provides relatively higher returns for larger bets. I also recommended that a tolerance of 0.20% be allowed, in line with recent changes to the National Standard.

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



- “(1) If a proposed game has one or more of the characteristics listed in sub-clause (2), approval of the game will be likely to lead to an exacerbation of problem gambling unless there is evidence to the contrary.
- (2) The characteristics referred to in sub-clause (1) are -
- (a) [non-linear] that the statistical return to player for the game changes depending on the amount bet;”

In February 2006, the Authority replied, agreeing with the proposed clarification.

However in the meantime, the Authority announced that it would review the Game Approval Guidelines, and therefore I decided to amend the clarification to only introduce a tolerance of 0.20%.

This clarification was applied to the guidelines issued under both the Casino and Gaming Machines Acts.

All active manufacturers, testers and SKYCITY Adelaide were advised of this in writing in February 2006.



## **13. BARRING**

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

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

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

256 barring notices were received in 2005-06. Of these 28 were patron initiated barrings and 228 were licensee initiated barrings.

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

During 2005-06 no applications were made for a review of a barring order.

### **13.2 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.

Inspectors check for compliance with this direction.

The effectiveness of the barring systems has long been a topic of contention. Licensees have expressed concern about the difficulties of identifying a person from amongst hundreds of photographs, many of whom have never before patronised the venue.

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





## 14. GAMING TAX

### 14.1 RATES

The rates effective for 2005-06 were:

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

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.

### 14.2 DISTRIBUTION OF NET GAMING REVENUE

During 2005-06, 587 venues operated for all or part of the year. The following table shows the total number of venues falling within each tax threshold.

Annual NGR	Total Number of Venues	
	Other than Non-Profit Businesses	Non-profit business
\$0 - \$75,000	40	19
\$75,001-\$399,000	158	32
\$399,001 - \$945,000	68	14
\$945,001 - \$1,500,000	45	3
\$1,500,001 - \$2,500,000	72	18
\$2,500,001 - \$3,500,000	54	7
Above \$3,500,000	54	3
<b>Total Number of Venues</b>	<b>491</b>	<b>96</b>



### **14.3 NON PAYMENT OF GAMING TAX**

A number of licensees fail to pay gaming tax by Electronic Funds Transfer (EFT) from their designated bank account on the due date. If the amount remains unpaid within 7 days of the initial EFT of the account, a fine of 10% is applied. During 2005-06, 6 fines were applied totalling \$3,671.61.

Section 72B of the Act which came into effect 1 February 2005, provides that if an amount remains outstanding for more than 10 days from the due date, I may by written notice suspend the licence until the amount is paid. On the day that the fine is applied, licensees receive a notice advising that a fine has been incurred and that they have a further 3 days to pay the amount outstanding (including the fine).

In 2005-06, six licensees were issued with fines and received notices requiring them to pay within 3 days. In all cases the outstanding amounts were paid before the deadline and no licences were suspended.

### **14.4 REFUNDS**

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

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

Thirty one venues received refunds for the 2005-2006 financial year totalling \$88,127.31.

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

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

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

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

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



## 15. ORGANISATION

### 15.1 ORGANISATION STRUCTURE

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

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

### 15.2 STAFFING

	2004-05 Budget	2004-05 Actual	2005-06 Budget	2005-06 Actual
Average full-time equivalent staff	20.0	18.5	18.5	19.5

### 15.3 BUDGET INFORMATION

	2004-05 Budget	2004-05 Actual	2005-06 Budget	2005-06 Actual
	\$m	\$m	\$m	\$m
Salaries	1.191	1.162	1.241	1.217
Goods & Services	0.831	0.540	0.726	0.621
Total	2.022	1.702	1.967	1.838

\$354,000 was carried over from 2004-05 to 2005-06 for development of software for compliance with codes of practice.

## 16. THANKS

I thank all staff for their continued efforts in 2005-06.

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

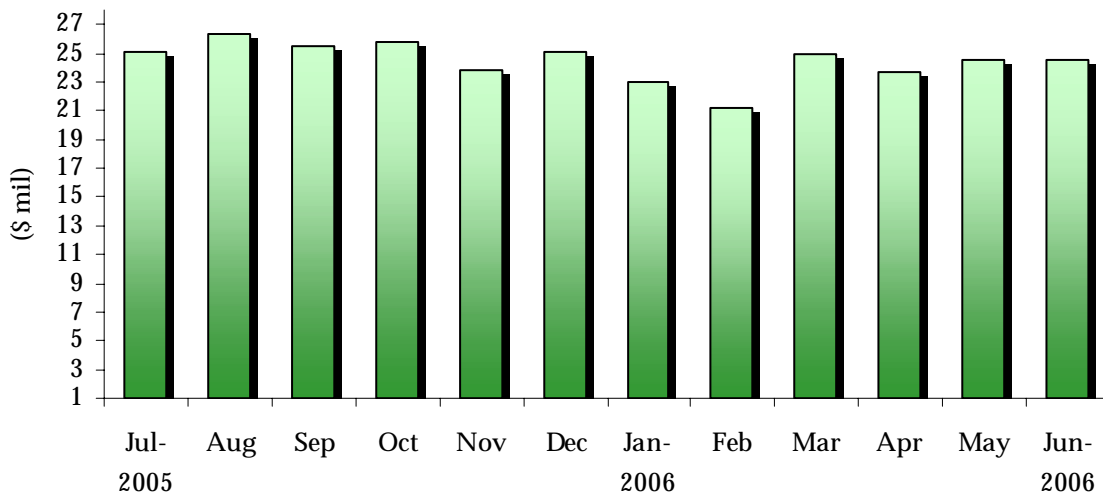


## 17. STATISTICS

*Table 1 Monthly gaming statistics 2005-06*

<i>Month</i>	<i>Total bets</i>	<i>Total Wins</i>	<i>Net Gambling Revenue</i>	<i>Tax</i>	<i>Fines</i>
	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Jul-2005	610,761,697	547,257,779	63,503,917	25,108,002	289
Aug	634,653,310	568,728,301	65,925,009	26,290,599	242
Sep	622,515,926	558,127,230	64,388,696	25,468,997	-
Oct	628,469,662	563,328,551	65,141,111	25,779,521	796
Nov	598,858,800	537,363,088	61,495,711	23,859,124	41
Dec	625,014,712	561,051,174	63,963,538	25,095,445	-
Jan-2006	587,396,309	527,564,040	59,832,269	22,924,363	-
Feb	552,507,383	496,259,420	56,247,964	21,130,923	-
Mar	624,646,004	561,120,098	63,525,906	24,878,309	2,303
Apr	606,624,982	545,341,600	61,283,382	23,736,574	-
May	621,603,504	558,780,597	62,822,907	24,582,304	-
Jun-2006	625,903,331	563,002,042	62,901,289	24,565,765	-
2005-06 Year	7,338,955,619	6,587,923,921	751,031,698	293,419,926	3,672

*Chart 1 Gaming tax levied per month 2005-06*

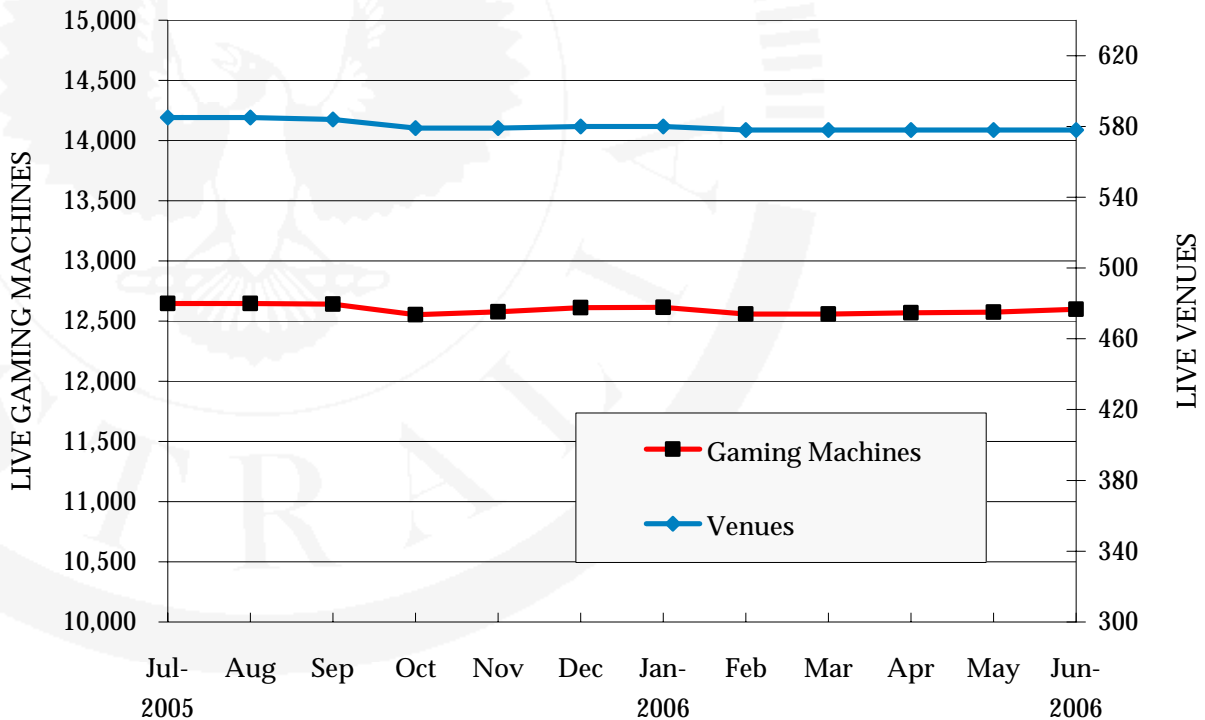




**Table 2 Monthly gaming machine and venue installations 2005-06**

Month	Venues	Gaming Machines
Jul-2005	585	12,645
Aug	585	12,647
Sep	584	12,641
Oct	579	12,554
Nov	579	12,578
Dec	580	12,613
Jan-2006	580	12,615
Feb	578	12,558
Mar	578	12,559
Apr	578	12,569
May	578	12,574
Jun-2006	578	12,598

**Chart 2 Monthly gaming machine and venue installations 2005-06**





**Table 3 Data by ABS Local Government Area (LGA) 2005-06**

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

<i>LGA or Grouped LGA</i>	<i>No of Venues</i>	<i>No of machines at 30 Jun 06</i>	<i>Aggregate NGR (2005-06)</i>	<i>Aggregate NGR per venue (2005-06)</i>
Adelaide	57	1083	\$38,710,341.26	\$679,129
Adelaide Hills	18	263	\$5,393,799.32	\$299,656
Alexandria	13	256	\$8,163,387.38	\$627,953
Barossa	15	240	\$7,545,677.99	\$503,045
Barunga West, Copper Coast	16	237	\$8,699,798.28	\$543,737
Berri Barmera	7	176	\$8,071,653.92	\$1,153,093
Campbelltown, Tea Tree Gully	16	460	\$49,159,887.35	\$3,072,493
Ceduna, Streaky Bay, Le Hunte, Elliston, Lower Eyre	10	143	\$4,772,181.95	\$477,218
Charles Sturt	28	788	\$63,958,242.38	\$2,284,223
Clare & Gilbert Valleys	7	91	\$2,263,961.66	\$323,423
Coorong, Tatiara	9	133	\$4,221,478.49	\$469,053
Gawler	8	208	\$14,108,278.95	\$1,763,535
Goyder, Northern Areas	9	62	\$1,081,700.88	\$120,189
Holdfast Bay	12	376	\$27,182,043.00	\$2,265,170
Kangaroo Island, Yankalilla, Victor Harbor	12	226	\$9,604,558.57	\$800,380
Kapunda & Light, Mallala	12	109	\$3,738,139.90	\$311,512
Kimba, Cleve, Tumby Bay, Franklin Harbour	7	77	\$1,923,308.08	\$274,758
Loxton Waikerie	6	144	\$4,423,229.52	\$737,205
Marion	11	317	\$29,580,298.39	\$2,689,118
Mid Murray	10	132	\$2,934,971.76	\$293,497
Mitcham, Burnside	8	224	\$14,505,572.22	\$1,813,197
Mount Barker	12	248	\$10,225,074.52	\$852,090
Mount Gambier, Grant	15	388	\$17,158,804.53	\$1,143,920
Mount Remarkable, Orroroo/Carrieton, Peterborough	7	73	\$1,469,175.81	\$209,882
Murray Bridge, Karoonda/East Murray, Southern Mallee	10	159	\$9,720,149.19	\$972,015
Naracoorte & Lucindale, Robe, Lacedpede	8	168	\$5,283,168.53	\$660,396
Norwood Payneham & St Peters	19	548	\$33,448,492.10	\$1,760,447
Onkaparinga	26	725	\$64,893,156.07	\$2,495,891
Playford	12	304	\$31,098,586.48	\$2,591,549
Port Adelaide Enfield	48	1221	\$74,778,788.35	\$1,557,891
Port Augusta	12	268	\$9,706,291.87	\$808,858
Port Lincoln	7	183	\$9,310,217.38	\$1,330,031
Port Pirie	9	220	\$9,188,153.83	\$1,020,906
Prospect, Walkerville	6	195	\$15,790,718.64	\$2,631,786
Renmark Paringa	7	144	\$5,773,933.90	\$824,848
Roxby Downs, Coober Pedy, Flinders Ranges	8	143	\$5,543,723.00	\$692,965
Salisbury	22	640	\$65,587,162.73	\$2,981,235
Unincorp. Far North, Unincorp. West Coast	7	66	\$780,607.77	\$111,515
Unley	8	223	\$15,836,950.45	\$1,979,619
Wakefield Region	9	60	\$1,617,134.95	\$179,682
Wattle Range	8	124	\$3,850,139.21	\$481,267
West Torrens	11	328	\$29,352,088.41	\$2,668,372
Whyalla	8	220	\$14,742,605.68	\$1,842,826
Yorke Peninsula	17	205	\$5,834,063.48	\$343,180
	<b>587</b>	<b>12598</b>	<b>\$751,031,698.13</b>	<b>\$1,279,441</b>

The total number of 587 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 2006 due to surrender or suspension of the gaming licence.



Where data is divided between hotels and clubs in the following tables, the division is made in relation to the nature of how the venue operates as opposed to how it is taxed. i.e. A community hotel is included in the following tables under 'Hotels' but is taxed as a non-profit business (see section 14).

**Table 4 Net gambling revenue - 2002 to 2006**

	2001-02		2002-03		2003-04		2004-05		2005-06	
	(\$mil)	%	(\$mil)	%	(\$mil)	%	(\$mil)	%	(\$mil)	%
Hotels	567.592	93.5	623.792	93.2	670.267	92.6	693.008	92.5	687.448	91.5
Clubs	39.222	6.5	45.283	6.8	53.337	7.4	56.243	7.5	63.584	8.5
Total	606.814		669.075		723.604		749.251		751.032	

**Table 5 Gaming tax - 2002 to 2006**

	2001-02		2002-03		2003-04		2004-05		2005-06	
	(\$mil)	%	(\$mil)	%	(\$mil)	%	(\$mil)	%	(\$mil)	%
Hotels	203.245	95.4	234.166	95.5	269.860	95.2	281.567	95.0	275.797	94.0
Clubs	9.826	4.6	11.118	4.5	13.660	4.8	14.717	5.0	17.623	6.0
Total	213.071		245.284		283.520		296.284		293.420	

\* Tax rates changed effective from 1 January 2003

**Table 6 Average net gambling revenue per machine per day - 2002 to 2006**

	2001-02	2002-03	2003-04	2004-05	2005-06
Ave NGR per machine per day	\$115	\$124	\$134	\$139	\$163



**Table 7 Average total net gambling revenue per day type - 2002 to 2006**

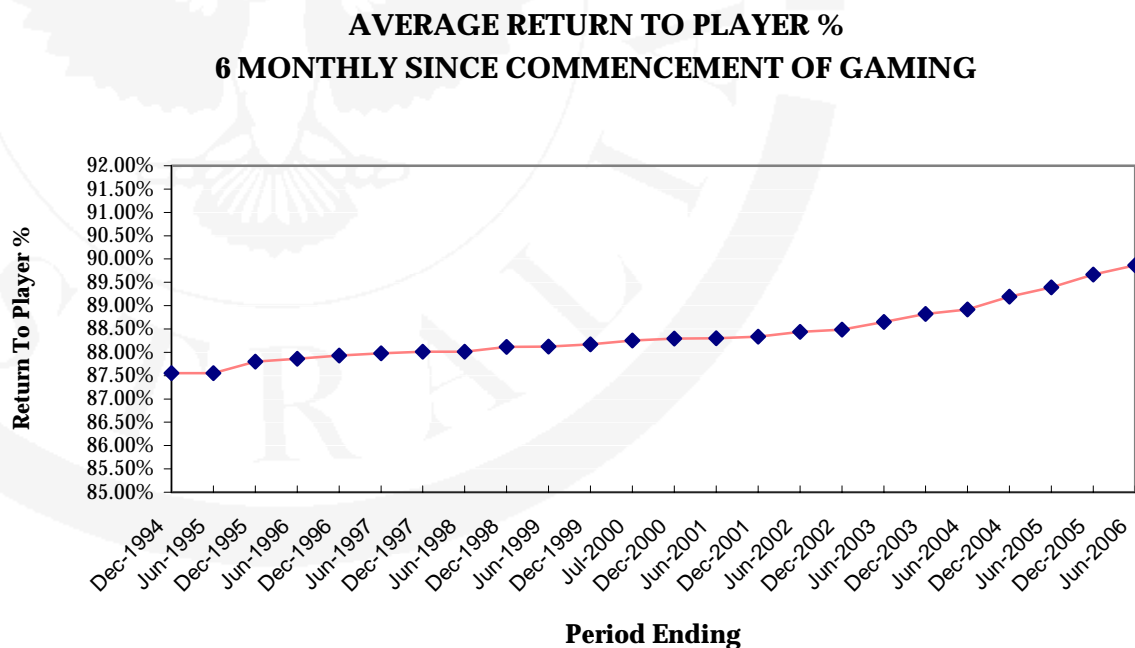
	2001-02 (\$ mil)	2002-03 (\$ mil)	2003-04 (\$mil)	2004-05 (\$mil)	2005-06 (\$mil)
Sun	1.210	1.345	1.479	1.547	1.507
Mon	1.304	1.430	1.540	1.592	1.625
Tues	1.374	1.588	1.697	1.769	1.781
Wed	1.690	1.848	2.056	2.101	2.114
Thurs	2.085	2.285	2.354	2.492	2.455
Fri	2.171	2.370	2.546	2.653	2.655
Sat	1.810	1.973	2.170	2.205	2.254

**Table 8 Return to player - 2002 to 2006<sup>1</sup>**

	2001-02	2002-03	2003-04	2004-05	2005-06
Return to Player	88.39%	88.57%	88.87%	89.29%	89.77%

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

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







**Table 9 Live venues and machines - 2002 to 2006**

	30 Jun 02	30 Jun 03	30 Jun 04	30 Jun 05	30 Jun 06
No of venues	592	596	593	585	578
No of machines	14,647	14,841	14,799	14,062	12,598

**Table 10 Number of clubs by machine range - 2002 to 2006**

No of machines	30 Jun 02	30 Jun 03	30 Jun 04	30 Jun 05	30 Jun 06
1 to 10	31	30	30	29	26
11 to 20	27	27	27	26	25
21 to 30	8	8	8	9	7
31 to 40	21	23	22	21	21
Total	87	88	87	85	79

**Table 11 Number of hotels by machine range - 2002 to 2006**

No of machines	30 Jun 02	30 Jun 03	30 Jun 04	30 Jun 05	30 Jun 06
1 to 10	137	138	136	133	134
11 to 20	86	85	85	91	107
21 to 30	42	41	41	38	32
31 to 40	240	244	244	238	226
Total	505	508	506	500	499



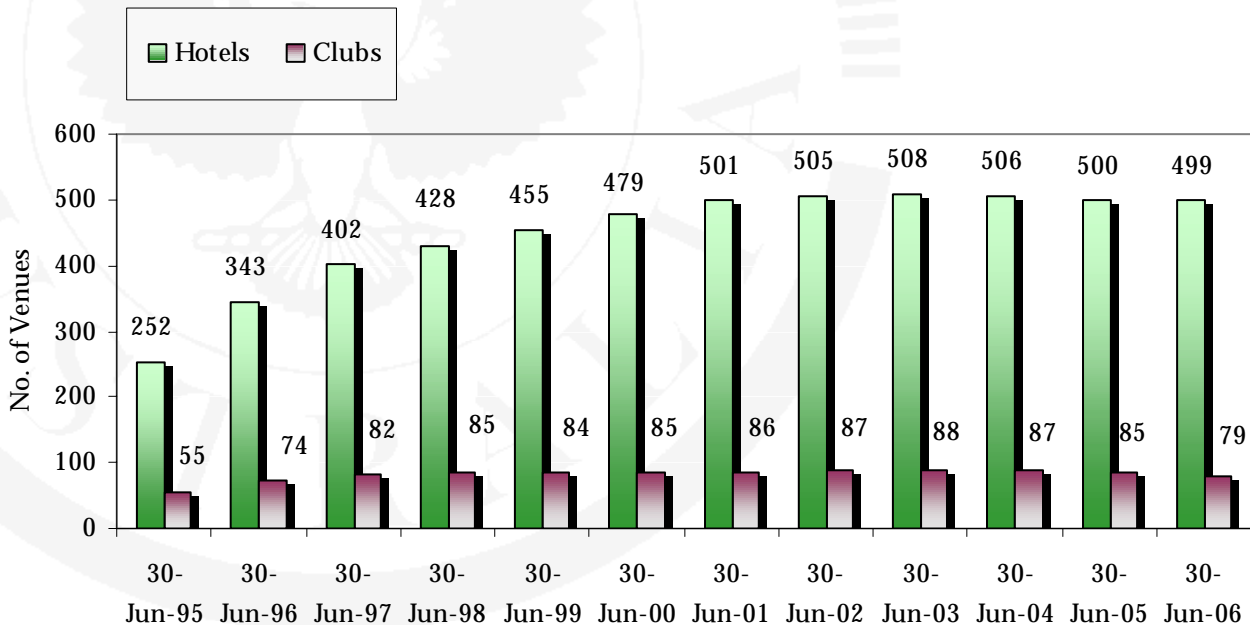
**Table 12 Gaming venues by business type - 2002 to 2006**

No of venues	30 Jun 02		30 Jun 03		30 Jun 04		30 Jun 05		30 Jun 06	
		%		%		%		%		%
Hotels	505	85.3	508	85.2	506	85.3	500	85.5	499	86.3
Clubs	87	14.7	88	14.8	87	14.7	85	14.5	79	13.7
<b>Total</b>	<b>592</b>		<b>596</b>		<b>593</b>		<b>585</b>		<b>578</b>	

**Table 13 Gaming machines by business type - 2002 to 2006**

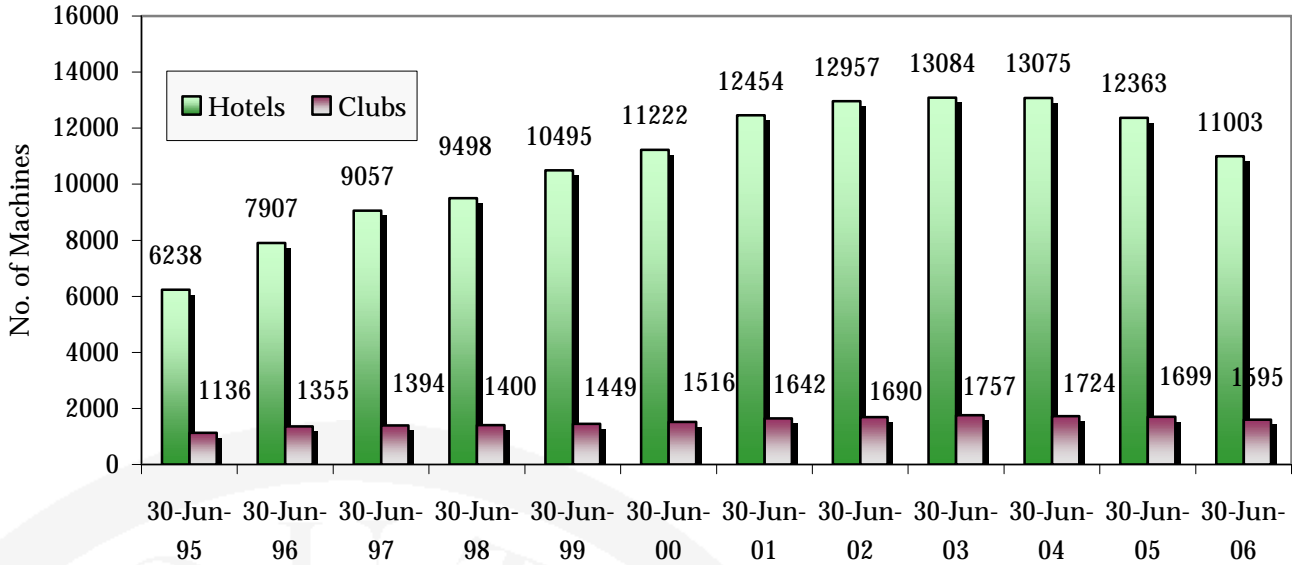
No of venues	30 Jun 02		30 Jun 03		30 Jun 04		30 Jun 05		30 Jun 06	
		%		%		%		%		%
Hotels	12,957	88.5	13,084	88.1	13,075	88.4	12,363	87.9	11,003	87.3
Clubs	1,690	11.5	1,757	11.9	1,724	11.6	1,699	12.1	1,595	12.7
<b>Total</b>	<b>14,647</b>		<b>14,841</b>		<b>14,799</b>		<b>14,062</b>		<b>12,598</b>	

**Chart 4 Growth in gaming venues**





**Chart 5 Growth in gaming machines installed**



**Table 14 Average growth in operating machines - 2002 to 2006**

	2001-02	2002-03	2003-04	2004-05	2005-06
Monthly average number of machines installed	46	16	-1	-61	-122

**Table 15 Manufacturer's share of gaming machine market - 2002 to 2006**

	Jun 02	Jun 03	Jun 04	Jun 05	Jun 06
Aristocrat	10,479	10,468	10,168	9,529	8,283
IGT	1,772	1,932	2,242	2,450	2,667
Konami	466	876	1,021	1,091	1,035
Ainsworth	-	93	307	299	278
Pacific	582	446	342	272	142
VGS	260	265	227	206	132
Olympic	649	414	260	181	85
Datacraft	403	262	162	103	43
Atronic	70	81	85	69	26
Vidco	12	1	0	0	0
<b>Total<sup>1</sup></b>	<b>14,693</b>	<b>14,838</b>	<b>14,814</b>	<b>14,200</b>	<b>12,691</b>

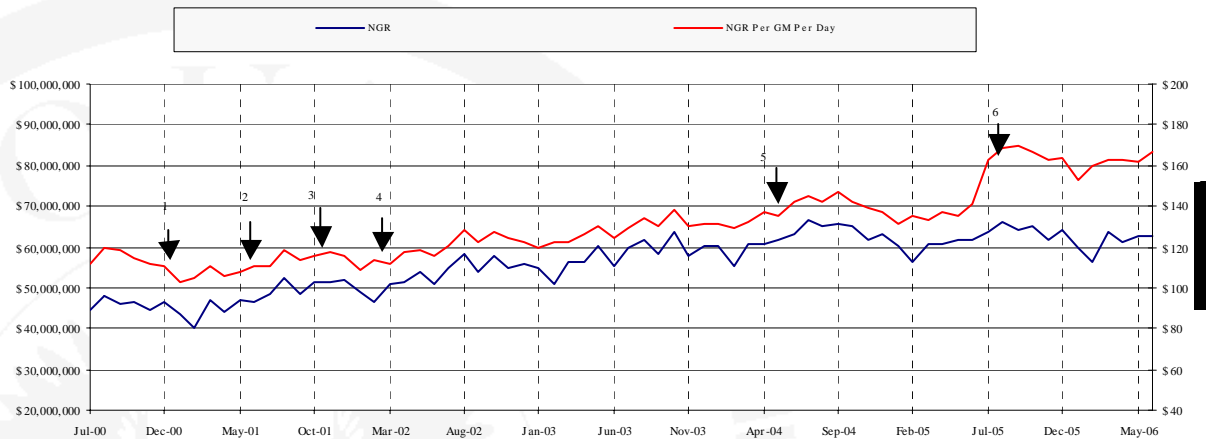


<sup>1</sup> The total number of gaming machines for June of each year as shown above, may be higher than the amount reported in Table 9 as the number of machines installed in venues as at the 30 June each year. The data shown in Table 9 above takes into account data on any machine installed at any time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

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

The growth in Net Gambling Revenue (NGR) has increased every year since gaming commenced in 1994. With the exception of 1996-97 the average net gambling revenue per machine per day has also increased on an annual basis from \$98 for the 1994-95 financial year to \$163 for the 2005-06 financial year.

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



**Chronology of Responsible Gambling Measures**

Event 1: 7/12/2000 Commencement of legislation preventing the granting of new gaming machine licenses.

Event 2: 30/05/2001 *Statutes Amendment (Gambling Regulation) Act 2001* is passed.

Event 3: 01/10/2001 First mandatory versions of the Responsible Gambling Code of Practice and the Advertising Code of Practice introduced. Key elements of the codes were:

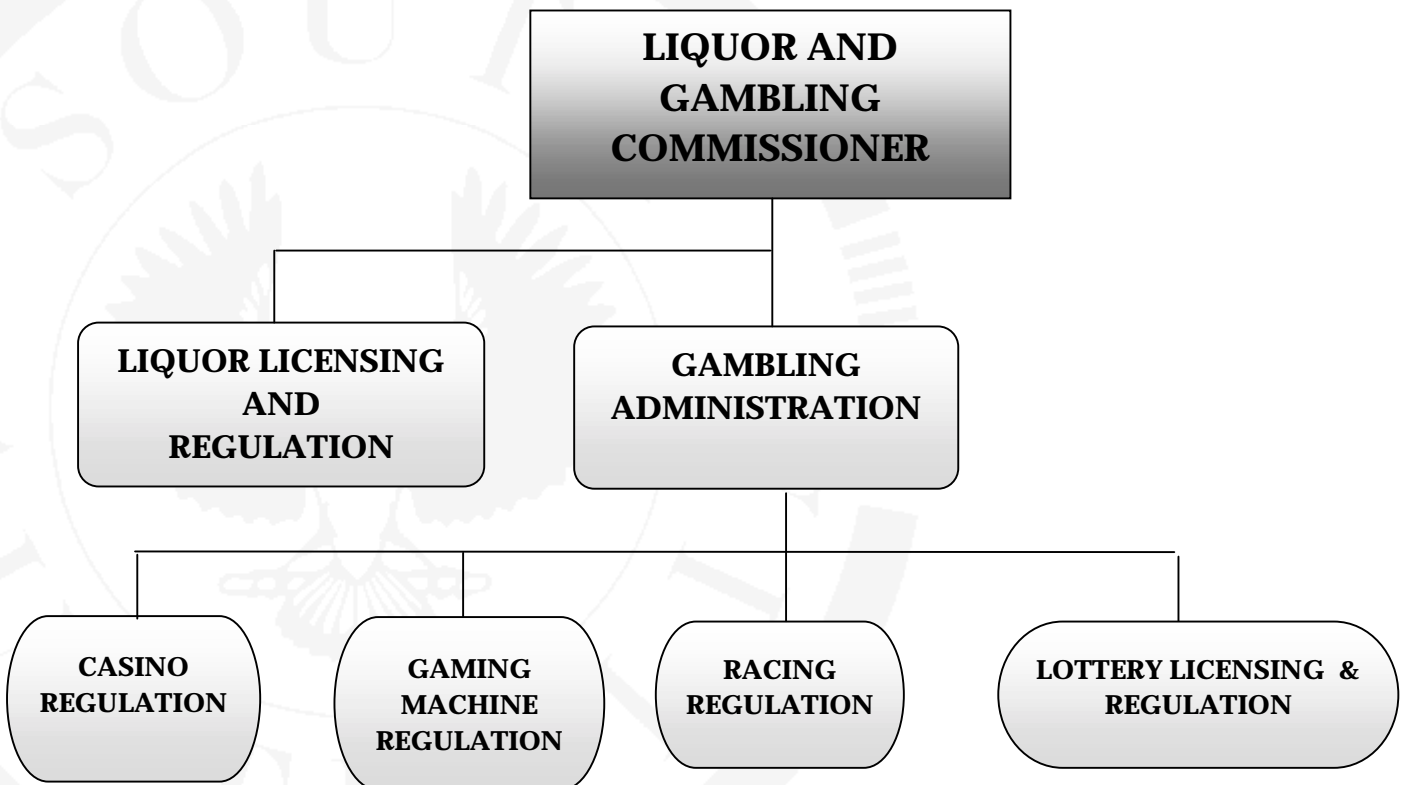
- clocks to be displayed in gaming areas
- players to be prevented from playing while intoxicated
- mandatory training requirements
- cheques not to be cashed in gaming areas

01/10/2001 Minimum Return To Player on all newly approved games increased to 87.5% from the previously approved rate of 85%



- 01/10/2001 Applications for new games must be refused if they are deemed to have characteristics that are likely to lead to an exacerbation of problem gambling.
- 01/10/2001 Voluntary Barring system introduced.
- Event 4: 01/01/2002 Licensees are not to provide ATM or EFTPOS facilities that are capable of allowing more than \$200 per transaction per debit or credit card.
- 01/01/2002 Autoplay function removed from all South Australian gaming machines by this implementation date.
- Event 5: 30/04/2004 New Mandatory Codes of Practice introduced.
- Event 6: 01/07/2005 Removal of 2162 machines as a result of compulsory reduction.

## 18. ORGANISATION CHART





## 19. CONTACTS

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GAMING MACHINE MALFUNCTIONS	(08) 8226 8447
GAMING TAX & STATISTICS	(08) 8226 8464
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LICENCE APPLICATIONS	(08) 8226 8410
PERSON APPROVALS	(08) 8226 8474
RECORD KEEPING REQUIREMENTS	(08) 8226 8464