



ABN 70 060 130 770

30 October 2006

Robert Chappell
Director
Independent Gambling Authority
PO Box 67
Rundle Mall SA 5000

Dear Mr Chappell,

Re: 2004 Amendments Inquiry

The Australasian Gaming Machine Manufacturers Association ("AGMMA") welcomes this opportunity to provide input to the Independent Gambling Authority ("IGA") in relation to the effects of the *Gaming Machines (Miscellaneous) Amendment Act 2004* (the "Amendment Act").

Introduction

AGMMA notes that the new policy measures incorporated during Parliamentary debate of the Amendment Act included consideration of an economically viable gambling industry.

AGMMA submits that its members operating in South Australia have experienced severe negative economic impacts since 2004 and the viability of their businesses in South Australia is now marginal. Attached is a table sourced from the State Procurement Board of South Australia, showing overall activity in terms of gaming machine movements in hotels and clubs for the period January 2002 until September 2006.

AGMMA makes the following observations on reviewing this information:

- 533 new machines were installed in South Australian hotels and clubs during the 9 months ended 30 September 2006, a 67% reduction on the corresponding period in 2002.
- 1,772 game conversions were undertaken in South Australian hotels and clubs during the 9 months ended 30 September 2006, a 27% reduction on the corresponding period in 2002.

AGMMA members' economic viability

AGMMA is of the view that its members' customers have experienced great uncertainty during the reference period as a result of publicity surrounding various possible measures including the actual Amendment Act – and that as a result, AGMMA's members have experienced dramatic reductions in their economic viability in South Australia.

AGMMA applauds the certainty provided by the South Australian Parliament in its statements of Parliamentary intention that (a) no further reductions in gaming machine numbers would take place and (b) there would not be any increase in gaming tax, prior to 30 June 2014.

New machines and game conversions are of course, AGMMA members' primary revenue streams. Whilst AGMMA's members have restructured and downsized their South Australian operations in a quest to continue to provide a local presence, such a dramatic downturn cannot be sustained indefinitely and AGMMA is concerned that the negative economic impacts its members have suffered in South Australia could prove to be terminal in due course.

Gaming machine inventory

AGMMA is concerned that South Australia's overall gaming machine inventory is ageing as a result of markedly less gaming machine movement. In simplistic terms, one might presume that the overall machine replacement cycle averaged around 10 years in 2002 (which is considered excessive by many in the gaming sector) and is over 23 years in 2006.

Quite apart from AGMMA members' greatly diminished economic viability, this extremely low replacement schedule raises issues in relation to ageing componentry, an absence of modern software, technology maintenance and spare parts inventory for service purposes.

Also absent from South Australia are commonplace upgrades such as on-screen clocks and player information facilities, which are routinely being introduced in other jurisdictions as part of the normal gaming machine replacement process.

AGMMA's previous views on gaming machine numbers

AGMMA reiterates the views expressed in its 13 May 2003 submission to the IGA, which expressed doubt that caps on gaming machine numbers could reduce problem gambling or otherwise assist problem gamblers; and that measures previously suggested by AGMMA (namely the introduction of player information displays and the facility for players to monitor session expenditure) would be a more effective means of assisting problem gamblers.

AGMMA remains of the view that that the best way to help a problem gambler is to provide access to expert support if needed - and the best way to prevent problem gambling is to provide good information to players.

Summary

AGMMA's members have experienced dramatic reductions in their economic viability in South Australia after their customers experienced uncertainty as a result of publicity surrounding various possible measures including the actual Amendment Act.

AGMMA submits that long-term certainty, along the lines of the South Australian Parliament's statements of intention during debate of the Amendment Act, is an important element in maintaining an economically viable gambling industry.

Yours sincerely



Ross Ferrar
Executive Officer

