



Independent Gambling Authority

**Game approval guidelines
consultation**

Guide for participation

Disclaimer

This document has been prepared for the purposes of public consultation in connection with a review being undertaken by the Independent Gambling Authority. Information provided and statements contained in this document are published solely for the purposes of the inquiry and should not be relied upon for any other purpose.

Date

This Guide was issued on 20 February 2008.



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1. INTRODUCTION

The Independent Gambling Authority has a statutory function to give guidelines to the Liquor and Gambling Commissioner with respect to the approval of gaming machine games.

Under the regulatory arrangements for electronic gaming machines in South Australia, gaming machine games are not able to be played unless they have been approved by the Liquor and Gambling Commissioner. As part of that approval process, the Commissioner must be satisfied that the approval of a particular game will not result in an exacerbation of problem gambling. While the Commissioner is the primary decision maker, the relevant legislation provides for the Authority to provide assistance to that deliberative process by the issuing of the guidelines.

Following the introduction of this “**exacerbation**” test in 2001, the Authority first gave interim guidance and then, in 2003, formally issued guidelines after undertaking written consultation with manufacturers and other industry and Concern Sector stakeholders.

The Guidelines were next given systematic consideration as part of the Authority’s Review 2006 inquiry. Review 2006 provided for stakeholder input over a wide range of regulatory functions relating to responsibility in gambling. The terms of reference addressed the advertising and responsible gambling codes of practice then in force, a number of so-called “second stage” issues relating to those codes of practice, the game approval guidelines and another set of guidelines relating to the grant of gaming machine licences.

Review 2006 was a major consultation exercise, but its focus was principally on the codes of practice. Indeed, in the Review 2006 report, the Authority noted that the stakeholder response on the game approval guidelines was not particularly well developed.

As a result, the Authority gave in principle indications in relation to a number of issues that had been raised with respect to the Guidelines and held other issues over for more detailed consideration at a later date.

This was done on the basis that material before the Authority was insufficient to allow for proper consideration of the issues, but that it would not be desirable to defer decisions in relation to codes of practice awaiting resolution of issues concerning the game approval guidelines.

The present consultation has been commenced to enable the Authority to receive information and submissions not only in respect of the matters specifically held over, but also generally about gaming machine game design and gaming machine structural characteristics.

2. CONSULTATION PROCESS

2.1 Overview

The process for this consultation involves—

- ◆ an announcement of the review and a call for submissions by way of advertisements in the *Advertiser* and the *Australian* on 20 February 2008, repeated on 23 February 2008, and an email advising of the consultation to the addresses previously supplied by stakeholders who made submissions to earlier inquiries;
- ◆ a public hearing on **29 April 2008**.

As part of this consultation, the Authority will assume that stakeholders have a degree of familiarity with the materials before the Review 2006 Inquiry. These can be ascertained both from the Review 2006 Inquiry Report and from the submissions made to the Review 2006 inquiry—all of which is available from the “Public Consultations” section of the Authority’s website www.iga.sa.gov.au.

There has already been extensive preliminary discussion in relation to these issues. On this account, the Authority will not be requiring formal written submissions in advance of the hearing. As detailed below, the Authority will be seeking registration of stakeholder interest, and the provision in the week prior to the hearing of presentation outlines and powerpoint files (if applicable).

2.2 Informing the consultation

The Authority is publishing, contemporaneously with this guide, a commissioned research report “The Relevance and Role of Gaming Machine Games and Game Features on the Player of Problem Gamblers”—this is referred to as the **“games and game features research”**.

This work was commissioned of the Australian Institute for Primary Care at La Trobe University, and the principal investigators and authors are Dr Charles Livingstone and Dr Richard Woolley.

The researchers were asked —

- ◆ if particular gaming machine games feature more commonly in the play of problem gamblers as compared to recreational gamblers;
- ◆ whether there are particular characteristics of those games that distinguish them from other games;
- ◆ whether those differences are characteristics that attract problem gamblers and featuring problem gambling play;
- ◆ to what extent those characteristics affect the player of recreational gambler; and
- ◆ to what extent those characteristics feature in a gambler’s transition from recreation to problem gambler.

The report includes an extensive survey of the relevant literature (and thereby provides a useful summary of that material) and original research, including game

design analysis and qualitative data collection with recreational and problem gamblers.

In conducting their work, the researchers applied the national definition of problem gambling¹, and have classified as problem gamblers identify persons scoring 3+ on Canadian Problem Gambling Index (consistent with the most recent South Australian population survey).

2.3 Hearing

It is the Authority's intention to conduct a hearing in two parts: **informative**—this would be an information gathering and consolidation part; and **submission-making**—stakeholders would be invited to make their submissions and present any evidence which they had to support them.

The informative part will include a presentation of the games and game features research, and other appropriate preliminary evidence about the nature of gaming machine games and their structural characteristics. The Australasian Gaming Machine Manufacturers Association has also offered to provide speakers to present a manufacturer perspective.

These presentations would be structured so as to allow those present to seek clarification and ask questions.

The submission-making part would provide the opportunity for both industry and Concern Sector stakeholders to address issues relating to the game approval guidelines. While stakeholders will not be required to lodge formal written submissions for circulation and perusal in advance of the hearing, they will be expected to follow the outlines they will have submitted in the week preceding the hearing.

These arrangements are subject to change, depending on the nature of responses to the call for participation in the inquiry.

2.4 Authority's inquiry powers

The consultation is being conducted under the powers set out in sections 13–15 of the *Independent Gambling Authority Act 1995*, which are extracted in Appendix 1. These provisions allow for witnesses to attend and documents to be produced, for evidence to be taken under oath or affirmation, for protection against self-incrimination and for legal representation before the inquiry.

¹ As adopted by the Ministerial Council on Gambling—"Problem Gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others or for the community."

2.5 Procedural matters

2.5.1 Registration

The Authority welcomes participation in this inquiry from a wide range of stakeholders. All that stakeholders are asked to do in order to be able to make presentations, and ask questions of others at the hearing, is register their details with the Authority's office on or before ***18 April 2008***.

The preferred mode of registration is an email to **gag@iga.sa.gov.au**.

In addition to assisting in planning for the hearing, registration—including the provision of an email address—will enable interested participants to be kept up to date with any changes which the Authority makes to the process. (Although a deferral, or major changes to the nature of the consultation, is unlikely, the Authority wishes to be in a position to inform participants in a timely and effective manner.)

Registration will not oblige a person to attend the hearing or, if attending, to make a presentation.

2.5.2 Evidence

As the Authority has noted in previous inquiries, evidence of factual matters can be adduced in many ways.

The traditional way in which this is done is by a person giving a sworn or affirmed testimony as a witness, and that is an option available to stakeholders wishing to participate in this consultation. Evidence given in this way may include expert opinion and personal observations. It will be up to the Authority who it accepts as an expert and in respect of what testimony.

Stakeholders are alerted to the fact that should they call a person to give evidence, both the members of the Authority and the other stakeholders will have the opportunity to ask questions of the witness.

In the past, some participants have expressed concern as to the nature of questions which witnesses might be asked and have expressed reluctance about evidence being tested by cross-examination. While the Authority will seek to ensure that any questioning is relevant to the matters in issue, stakeholders calling witnesses must be prepared for them to have to answer such questions as the Authority allows.

There are other ways of bringing evidence before this inquiry. They will include the drawing of inferences from known or accepted factual material, the presentation of expert literature and other documentary material.

This inquiry is essentially investigative in nature, and on that basis, the Authority will feel free to ask its own questions and will seek to allow as much material as possible to come before it.

The fact that material is allowed to be brought before the Authority does not, of course, commit the Authority to accepting that material.

2.5.3 Advance notice of presentation outlines, and research and other material to be relied upon

Registrants who wish to make a presentation at the hearing will be required to provide a one page “bullet point” style outline of their major points, and the material upon which they will rely. In addition, if published research or other detailed material is to be relied upon, registrants will be asked to provide a citation (and if possible a copy) of that material on or before 18 April 2008.

Advance notice of presentation outlines and of the research material to be relied upon will assist in the orderly conduct of the hearing by enabling the order of presentation to follow logical themes.

The preferred mode of submission of outlines is to **gag@iga.sa.gov.au** by 18 April 2008.

2.5.4 Provision of powerpoint presentations and other audio visual materials

As with past inquiries, the Authority will be assisted by electronic presentations being finalised and being provided to the office of the Authority by midday on the day preceding the hearing (**Monday, 28 April 2008**).

In addition to enabling a smooth transition between presentations, it enables any unforeseen technical matters to be identified in advance of the day of hearing.

The preferred mode of submission of powerpoint presentations is to **gag@iga.sa.gov.au** by 28 April 2008. Other media (DVDs, video tape, etc), should be supplied by mail or by hand.

2.5.5 Venue and times

The venue for the hearing will be the **Adelaide Convention Centre, Conference Rooms 1 and 2**.

The hearing is scheduled to commence at 10.00am, and the hearing room will be available for participants and observers from 9.30am. The Authority will take a 45 minute break for lunch at some convenient time after 12.30pm. The Authority expects to conclude the proceeding before 4.00pm.

3. HISTORY AND BACKGROUND TO THE GUIDELINES

3.1 Parliamentary intervention

In May 2001, the South Australian Parliament approved a package of amendments to legislation designed to address problem gambling, both on gaming machines and more generally in the community.

What emerged, as the *Statutes Amendment (Gambling Regulation) Act 2001*, was the result of a series of conscience votes on proposals placed before Parliament out of the work of a committee of investigation headed by the then secretary to the Cabinet. This

investigation had itself been prompted by the passage, again on a conscience vote, of legislation to freeze the number of gaming machines in South Australian hotels and clubs with effect from 7 December 2000 (applications could not be made after that day).

Key features of the amendments made by the Statutes Amendment (Gambling Regulation) Act were the insertion of uniform code of practice provisions into the various Acts of Parliament which permitted or regulated commercial forms of gambling, specific measures for the minimisation of harm to gaming machine players in hotels and clubs (including the removal of “auto play” buttons, and restrictions on withdrawals from automatic teller machines), the establishment of the Independent Gambling Authority with specific harm minimisation and responsible gambling functions, the establishment of a statewide voluntary barring scheme and the inclusion, in the licensing process for gaming machine games, of the exacerbation test.

So far as is relevant to this inquiry, amendments made to sections 37A of the *Casino Act 1997* and section 40 of the *Gaming Machines Act 1992* obliged the Liquor and Gambling Commissioner to give consideration as to whether approval of a submitted game would give rise to an exacerbation of problem gambling, after having regard to any guidelines issued by the Authority, and if so, to refuse the application.

There is therefore a context within which the Commissioner considers applications for gaming machine games, and the Authority determines what should be in the game approval guidelines. That context is the implicit statement by Parliament that it is possible to determine whether the approval of a game is likely to exacerbate problem gambling.

This context is of particular relevance to the present consultation, as views have been expressed in the past that it is not possible to determine whether approval of a particular game is likely to lead to an exacerbation of problem gambling.

Of course, there may be material which supports that proposition, and the Authority will not prevent stakeholders from expressing the view. However, for the purposes of determining what should be in the game approval guidelines, the Authority cannot take account of such submissions. In this context, only the Parliament can reverse the assumption that it is possible to determine whether approval of a gaming machine game will exacerbate problem gambling.

3.2 Interim direction (and “features in the field”)

The provisions of the Statutes Amendment (Gambling Regulation) Act which required the Liquor and Gambling Commissioner to consider whether the approval of a new game would exacerbate problem gambling, became effective on 1 October 2001.

In November 2001 the Commissioner indicated that, in the absence of any guidelines, he would approach this by identifying whether the proposed games included a new feature, in the sense that no previously approved game had included the feature. This is the “features in the field issue”.

In response, the Authority indicated that as an interim position this approach was appropriate. The Commissioner proceeded on this basis until June 2003.

3.3 Initial consultations on guidelines

In March 2003, the Authority commenced a written consultation process with stakeholders.

A range of responses was received. The Australasian Gaming Machine Manufacturers Association (AGMMA) submitted that the Authority should not make guidelines, but instead should submit to the Government that the relevant provisions be repealed and replaced with provisions requiring the installation of player information displays. Some Concern Sector stakeholders made submissions in respect of games and game features which they asked be retrospectively removed.

The Authority had regard to these submissions, to other written submissions from stakeholders and to the practice in other Australian and New Zealand gaming jurisdictions, when finalising the form of the 2003 guidelines.

3.4 The 2003 Guidelines and issues arising

On 2 June 2003 the Authority issued two sets of guidelines (one for the Casino Act and the other for the Gaming Machines Act) to come into effect on 1 July 2003. These guidelines are set out in Appendix 2 and Appendix 3.

The guidelines start by setting out a number of characteristics in gaming machine games which should be regarded, in the absence of evidence to the contrary, as exacerbating factors. With one exception, these were characteristics which it had been the consensus of Australasian gambling regulators not to allow to be included in gaming machine games. That exception is the rate of play or reel spin interval characteristic.

At the time the Guidelines were made, the games on offer in South Australia were typically cycling no more than 24 times per minute. The Guidelines said to the Commissioner that he should regard the approval of a game as being likely to exacerbate problem gambling if it allowed more than 17 reel spins (or button presses) per minute (a reel spin interval of 3.5 seconds).

The Guidelines went on to say to the Commissioner that if a proposed game had a feature or characteristic which is “new” the Commissioner should require the applicant to provide what was called a “responsible gambling impact analysis”.

The Guidelines were cast on the basis that the Authority was not empowered to direct the Commissioner, but these were considerations to which he should have regard.

In their design, the Guidelines are consistent with the “features in the field” principle. In relation to the exacerbation factors, with the exception of the reel spin interval issue, it was unlikely that gaming machine developers would be submitting games for approval if they had any of the listed characteristics. The provision about new features is, by definition, consistent with that principle.

However the Guidelines are expressed, the determination as to whether the approval of a game individually is likely to exacerbate problem gambling to be determined by the Commissioner in the context of the particular application and on the basis of the facts presented. The purpose of the Guidelines is to provide assistance to the Commissioner in determining which matters are going to be of particular interest, and certainty to applicants as to the matters which they should address.

The Authority understands that the impact of the making of the Guidelines was, for a period of time, to reduce the number of games being submitted for approval, particularly those which would have a shorter reel spin interval than 3.5 seconds. From correspondence provided to the Authority, it appears that manufacturers experienced difficulty in addressing the requirement for responsible gambling impact analyses.

The Authority is also aware that, subsequently, in an application made under the Casino Act, the Commissioner accepted a submission that there is “evidence to the contrary” with respect to reel spin interval. The evidence to the contrary is said to arise out of some research undertaken by the University of Sydney².

The Authority was aware of this particular research at the time the game approval guidelines were issued (its publication having predated the Guidelines). The Authority has communicated to the Commissioner that it regards this as an unfortunate construction of the Guideline. The Authority is also aware that the University of Sydney research is complex, needs to be applied with care and fully understood in the context of the research design. (For a discussion of the issues arising out of this report, see Appendix 4 for the relevant extract from *Australasian Gambling Review—AGR2*.)

This is not to say that the Guidelines in any way preclude the Commissioner from approving a game with a reel spin interval shorter than 3.5 seconds or, indeed, refusing approval to a game with a longer interval. The Guidelines can only ever be matters which the Commissioner takes into account in exercising the statutory determination as to whether approval of the game is likely to exacerbate problem gambling.

3.5 Games and game features research

The games and game features research was commissioned specifically by the Authority to assist it in formulation of game approval guidelines. Stakeholders should familiarise themselves with the scope of the work undertaken and with its key findings in their preparation for participation in the hearing.

Although it is beyond the scope of this Guide to summarise the games and game features research, their high level conclusion is that there are identifiable features of the most popular games which, while the games themselves appeal to both problem

² Blaszczynski, A., Sharpe, L., and Walker, M. (2001). The assessment of the impact of the reconfiguration on electronic gaming machines as harm minimisation strategies for problem gambling. The University of Sydney Gambling Research Unit. .

gamblers and recreational gamblers, tend to exacerbate the impact of problem gambling on those players who are problem gamblers.

The games and game features research methodology included an analysis of the performance and structural characteristics of four games which were the most prominent among the top 250 performing games in South Australia.

The authors noted that the patterns of play in South Australia are distinctively different from those in other Australian jurisdictions, principally relating to the popularity of the game *Dolphin Treasure*. Of the four games identified for detailed analysis, *Shogun* and *Shogun 2* were tokenised at \$1.00 (and had average bet levels slightly over \$3.00) while *Indian Dreaming* and *Dolphin Treasure* were tokenised in the range \$0.01–\$0.05 (with average bet levels between \$0.30 and \$0.50). *Indian Dreaming* also included the “reel power” feature which apparently enables up to 243 different betting opportunities per spin.

Key observations by the authors were:

- ◆ high credit value games produce high average bet levels. Minimum bets on high credit value games are larger than actual average bets on low value games and small multiples of the minimum bet on high credit value machines lead to very large bets (examples are *Shogun* and *Shogun 2*).
- ◆ Multiple or maximum line betting on small credit value games leads to increased average bet sizes, with large multiples of small minimum bets leading to actual average bet sizes of between 20 and 50 times the minimum bet (example is *Dolphin Treasure*).
- ◆ Reel betting extends the options of line betting on small credit value machines, leading to increased actual average bet sizes in excess of those achieved on comparable credit value machines that only allow line betting (example is in *Indian Dreaming* incorporating “reel power” technology).

The games and game features research is comprehensive and detailed and an understanding of its findings is critical to arguments over what should be included in the game approval Guidelines.

3.6 Issues the Authority will particularly consider in the consultation

3.6.1 Matters addressed as part of Review 2006

The Authority will be particularly interested to consider the matters held over from the Review 2006 consideration, and to revisit other issues discussed in that inquiry.

The matters held over are: whether there should be a limit, in respect to multiple line betting, to 25 lines per spin; and whether the “reel power” option should either be prohibited, or significantly limited, on gaming machines.

The other matters determined in Review 2006 where that the Guidelines should: preclude game bonus banks; not preclude the use of names like “cash”, “luck”, “money”, “dollars”; and not preclude game themes based on television film and cartoons; also that further material should be provided concerning the “near miss”

scenario; and that, while it would be desirable to slow the betting cycle, such a principle needs to be carefully considered in light of the structure of the Guidelines.

In Review 2006, the Authority also indicated that game submissions should include a narrative statement of what it is that is said to make the game appealing.

In respect of the submissions concerning the speed and cost of the betting cycle, the Authority would again welcome submissions about how the cost of play might be limited by reference to an hourly maximum rate of loss (say, \$4000) and to hear further about the impact of \$1-tokenisation games.

3.6.2 What should and should not be in the Guidelines and the role of the “National Standard”

At past inquiries, it has been submitted that some matters contained in the Guidelines should be omitted, on the basis that they are already adequately dealt with in the “National Standard”.

As noted in the Review 2006 report, the National Standard is a document setting out common conventions applied by the Australian and New Zealand gambling regulators in the process of approving gaming machine games, gaming machines and other equipment. It provides guidance to manufacturers about the functionality of games, gaming machines and equipment, as to what is required and what is allowable. It also sets out common nomenclature and processes for the submission of approval applications.

However, the National Standard is not itself a document which legally binds either the regulators or the manufacturers. And it is a document which tends to follow, rather than lead, the policy established either in law or in the practice of regulators.

For instance, in specifying a \$10 maximum bet, the National Standard is reflective of a regulatory policy position, rather than a mandated legal position, in South Australia.

This then leads to the question of whether the Guidelines should classify as exacerbating certain game characteristics which it is unlikely will ever be put forward. An example of where this argument has been made in the past relates to the “illusion of control” effect. It is said that regulators will not approve games which give the illusion that the player is in control of the outcome because to do so would be inconsistent with the supposedly random nature of the product.

The Authority has, in the past, taken the position that if there is both an integrity and a responsible gambling dimension to a characteristic, it will be appropriate for it to be included in the Guidelines.

3.6.3 Whether the “features in the field” distinction should be maintained

The basis of the features in the field distinction is that approval of a game will not exacerbate problem gambling if the same features are already present in the field. To put it another way, it is said that exacerbation can only occur if players are not already being exposed to the supposedly exacerbating characteristic.

However, there may be a different way of viewing the matter. Technical obsolescence of gaming machine platforms means that, from time to time, game approvals are revoked. While there are still many older games in the South Australian environment (a factor of the average age of gaming machines in South Australia), this will change over time. It may be that an argument can be made that approval of a new game with characteristics which are already in the market might still be refused on the basis that to continue indefinitely the existence of those game characteristics would result in exacerbation of problem gambling.

3.6.4 *Extent to which ameliorative features can be taken into account*

Very early in the history of the Guidelines, it had been submitted (by AGMMA) that player information displays were a better policy response to problem gambling than applying the exacerbation test to new game approvals.

A player information display is a facility within a gaming machine game which provide information to the player both about the characteristics of the game (such as the return to player, range of prizes, maximum bet size, etc) and also about the current session of play (amount paid in, gross amount gambled, gross amount won, etc). Player information display functionality is present on some gaming machines in Australia. It is accessed by the player pressing a button on the cabinet.

While player information displays are, at present, only activated at the request of the player, there is no technical reason why a game could not be configured to force the player information display onto the screen at various points in a session of play.

It is clear that, in context, the existence of player information display technology cannot be used as an argument that the Commissioner and the Authority disregard their statutory obligations. However, it may be that the existence of player information software within a game is a matter which can be taken into account when determining whether the approval of the game is likely to exacerbate problem gambling.

3.7 *Scope of the inquiry*

The Authority's principal purpose in consulting stakeholders in the present enquiry is to enable it to decide whether there should be any change to the existing game approval guidelines and, if so, what that change should be.

Gathering facts, and receiving submissions, which directly address that objective will be the Authority's primary focus in conducting the consultation.

However, as has been the case with other inquiries, the Authority will entertain submissions relating to the structural characteristics of the gaming machine games which cannot directly be implemented within the context of the Guidelines.

There may be scope, whether in the report of this consultation, or elsewhere, for ideas and submissions relating to gaming machine game design to become the subject of other regulatory measures, or recommendations to Government for action.

What the Authority asks stakeholders to do is cast their submissions and representations clearly in the context of being either a matter which can be directly addressed within the Guidelines or a matter which they seek to have addressed outside the confines of the Guidelines.

4. KEY ISSUES ABOUT THE GAMES

4.1 Nature of gaming machine games

The vast majority of electronic gaming machine games in South Australia emulate the traditional mechanical, or electro-mechanical, multiple spinning reel machine—the sort that was once operated by pulling a handle.

These fully electronic games generally feature five virtual reels, divided into symbols. Always visible is a centre line, with a number of additional lines above and below the centre line also visible.

Two aspects where the emulation departs from the old physical reality are that, in the electronic game, the reels can be much longer than would have been possible to accommodate within a physical gaming machine cabinet and the symbols can be made to change without the need to physically open the cabinet. Some game designs feature variable length reels, and also change the symbols depending on certain game conditions.

Another departure from the mechanical model is that there is no direct relationship between the placement of coins in a slot and the betting on the machine.

In South Australia, money is paid into the machine by the insertion of coins in a slot; in other jurisdictions money can be paid into a machine by the insertion of bank notes. However, the betting on the machine is within the control of the player, depending on the “tokenisation” of the game. Games can be typically tokenised at \$0.01, \$0.02, \$0.05, \$0.25, \$0.50 or \$1 as a minimum credit to be a bet per line per reel spin.

With the insertion of coins or notes, credits and dollar values are added to meters displayed on the game screen. Similarly, when a prize is paid, the value of the prize (which is determined by the combination of symbols present on the winning line or lines) is paid onto the meter on the machine. It is a separate activity to convert the credit values on the meter into coins or, in the case of amounts that are not even denominations of \$1, a ticket or voucher.

The effect of a balanced mechanical reel spinning until it comes to rest naturally at a particular point is emulated by the use of a random number generator in the game software. It is this which determines the final resting place of the reels well before the graphical display plays through.

It is understood that the entertainment or excitement value from a game machine game comes from the random distribution of prizes in a game sequence. This is also known as a random reinforcement schedule. It is apparently the randomness which is essential in that a game which was predictable would not be as exciting as one where the player never knows what prize is about to be around the corner.

These factors are all critical to understanding the particular structural features which have given rise to concerns in the past.

4.2 Near miss

Just as a mechanical device which is operating properly will produce a range of observable outcomes which, in the very long run, are evenly distributed over the possibilities, so a properly designed electronic game will display each possible outcome in the correct proportion to its likely appearance. A game which artificially simulated the appearance that a particular spin was “almost” a win would not meet integrity standards.

However, as has been pointed out in the games and game features research, the existence of variable reel sizes on electronic games means that an outcome such as the same symbol appearing on the first four (short) reels but not on the fifth (longer) reel can give the impression that a win is imminent, even when the game is performing precisely to specification.

An issue for consideration is whether games should be designed in a way that can give the impression of many, so called, near misses.

4.3 Multiple lines

Modern gaming machine games enable the player to select more than just the centre visible line of the reels as ones on which to bet that there will be particular combinations of symbols present. This is the equivalent of having multiple bets per reel spin. While it increases the cost of each reel spin, it also increases the possibility of some sort of win, although, in the very long run, the total amount of the wins is going to be less than the total amount bet.

This is to be distinguished from the situation where one line is bet on with a much larger number of credits that is, multiples of the minimum allowable bet). In that case the likelihood of winning remains the same, although, if one happens, it will pay out handsomely. There are in principle two concerns with multiple line betting.

The first concern is that by increasing the possibility of some sort of win with each reel spin, players might think that they are “winning” when the amount of credits available to them actually diminishes as a result of the winning spin.

The second concern is an observation that problem gamblers tend to start betting at the minimum bet over the maximum lines, but then during the course of a period of play scale up to maximum bet over maximum lines. The issue with multiple line betting is that it facilitates swings in the level of play which may push gamblers beyond any plan laid out for the session in advance.

4.4 “Reel power”

The “reel power” feature (such as on *Indian Dreaming*) enables gamblers to bet not only on each line, but on the outcome of the symbols which become visible on the reels. It is said that in some configurations this allows for up to 243 credits to be bet per spin.

The same considerations apply to “reel power” as to the multiple line consideration—indeed “reel power” is essentially an extension with the capacity to add lines to the game. It is premised on there being randomisation of the symbols on each reel for each spin (this is a further departure from the emulation of the mechanical game, where the pattern of distributions of symbols on a reel is unable to change).

The question then becomes whether this mode of allowing increased betting opportunities per spin should be regarded as an exacerbating factor in the absence of evidence to the contrary.

4.5 Maximum bets

The conventional maximum bet level in hotels and clubs is \$10 per reel spin.

It has been argued that, from a recreational point of view, it is not necessary to spend this much per reel spin in order to derive excitement or entertainment from the random reinforcement schedule inherent in the game.

One option in relation to this might be to require further investigation of games which have maximum bets over a much lower level (say \$3 or \$1 per spin).

4.6 “Free” spins

Many games include a characteristic where a sequence of “free” spins is triggered by certain outcomes (combinations of symbols) on the reels displayed.

These spins are “free” in the sense that the credits meter is not reduced to fund the spins, while they still pay winnings should a winning combination come up during the free spins. The spins are not “free” in the sense that the cost of funding these free spin cycles is one which is built into the game design and the requirement that the game return a specified proportion (at least 87%) to the player in the very long run.

There are multiple concerns from a problem gambling perspective.

The first is the impact in the thinking of a problem gambler “getting something for nothing” (which would itself be an erroneous view of the free spin feature).

Another concern is that, if there is some sort of sense of achievement in having a free spin sequence activated, problem gamblers would be more likely to “chase” this as an outcome (or even fool themselves into thinking that it is possible to play in a way which encourages the game to give free spins).

The guidelines presently suggest that a game will exacerbate problem gambling (in the evidence to the contrary), if it has free spin cycles offering more than 25 free spins at a time.

5. **SUMMARY**

The key elements to this consultation are:

- ◆ participant registration [preferred by email to gag@iga.sa.gov.au] by 4.00pm on **18 April 2008**;
- ◆ submission outlines submitted [preferably to gag@iga.sa.gov.au] by 4.00pm on **18 April 2008**;
- ◆ powerpoint files and other media for presentations to be provided by midday on **28 April 2008**;
- ◆ one-day hearing at 10.00am on **29 April 2008**.

APPENDIX 1

Extracts of sections 13–15 of the Independent Gambling Authority Act

13. Inquiries by Authority

- (1) The Authority—
 - (a) may hold an inquiry whenever it considers it necessary or desirable to do so for the purpose of carrying out its functions; and
 - (b) must, if requested to do so by the Minister, hold an inquiry into any matter relating to—
 - (i) the operations of a licensee under a prescribed Act; or
 - (ii) the operation, administration or enforcement of a prescribed Act.
- (2) On completing an inquiry under this section, the Authority must submit to the Minister a report of the inquiry and the findings of the Authority on the inquiry, and any such report may include recommendations for action to be taken.
- (3) Unless the Authority recommends that the report should remain confidential, the Minister must, within six sitting days of receiving a report under subsection (2), cause a copy of the report to be laid before each House of Parliament.

14. Powers and procedures of Authority on an inquiry or appeal

- (1) For the purposes of proceedings before the Authority (whether under this Act or any other Act), the Authority may—
 - (a) by summons signed on behalf of the Authority by the Secretary of the Authority, require the attendance before the Authority of any person; or
 - (b) by summons signed on behalf of the Authority by the Secretary of the Authority, require the production of any equipment or other item, or any books, papers or documents; or
 - (c) inspect any equipment or other item, or any books, papers or documents produced before it and retain them for such reasonable period as it thinks fit, and, in the case of books, papers or documents, make copies of any of them, or of any of their contents; or
 - (d) require any person to make oath or affirmation that he or she will truly answer all questions put to him or her by the Authority relating to any matter being inquired into or that is before the Authority; or
 - (e) require any person appearing before the Authority to answer any relevant questions put to him or her by any member of the Authority or by any person appearing before the Authority.
- (2) If a person—
 - (a) who has been served with a summons to appear before the Authority, fails without reasonable excuse (proof of which lies on the person) to attend in obedience to the summons; or
 - (b) who has been served with a summons to produce equipment or any other items, or books, papers or documents, fails without reasonable excuse (proof of which lies upon the person) to comply with the summons; or
 - (c) misbehaves before the Authority, wilfully insults the Authority or any member of the Authority or interrupts the proceedings of the Authority; or
 - (d) refuses to be sworn or to affirm or to answer any relevant question when required to do so by the Authority,

Appendix 1: Extracts of sections 13–15 of the Independent Gambling Authority Act—continued

the person is guilty of an offence.

Maximum penalty: \$10 000 or imprisonment for 6 months.

- (3) A person is not excused from answering a question or from producing books, papers or documents under this section—
- (a) on the ground that the answer to the question or the contents of the books, papers or documents would tend to incriminate the person; or
 - (b) on the ground of legal professional privilege,
- but if the person objects to answering a question on the ground that the answer would tend to incriminate him or her, the answer will not be admissible against him or her in criminal proceedings (except in proceedings for perjury) or, if the person objects to answering a question on the ground of legal professional privilege, the answer will not be admissible in civil or criminal proceedings against the person who would, but for this subsection, have the benefit of the legal professional privilege.
- (4) The Authority may, if requested to do so by a person who has been required to answer a question by the Authority or who has produced books, papers or documents to the Authority, by order prohibit the publication in any newspaper or by radio or television of the name of the person, any answer given by him or her in proceedings before the Authority or the contents of any book, paper or document produced by him or her to the Authority.
- (5) A person who contravenes an order under subsection (4) is guilty of an offence.
- Maximum penalty: \$10 000.
- (6) The Authority may sit at any time and in any place (including a place outside this State) and may adjourn its sittings from time to time and from place to place.
- (7) In the course of any proceedings, the Authority may—
- (a) receive in evidence any transcript of evidence in proceedings before a court or tribunal and draw any conclusions of fact from the transcript that it thinks proper; or
 - (b) adopt, as in its discretion it considers proper, any findings, decision or judgment of a court or tribunal that may be relevant to the matter before the Authority.

15. Representation before Authority

- (1) A person appearing before the Authority may appear—
- (a) personally;
 - (b) by counsel;
 - (c) if a body corporate—by an officer or employee of the body corporate who has obtained leave of the Authority to appear on behalf of the body corporate;
 - (d) if the party is a member of a genuine association formed to promote or protect the interests of a section of the liquor industry or the gaming machine industry or of employees in those industries—by an officer or employee of that association.
- (2) The Commissioner of Police may be represented before the Authority—
- (a) by a member of the police force; or
 - (b) by counsel.

APPENDIX 2

Game Approval (Gaming Machines) (No.1) Guidelines 2003

SOUTH AUSTRALIA

GAMING MACHINES ACT 1992

Game Approval (Gaming Machines) (No. 1) Guidelines 2003

[2 June 2003]

The Independent Gambling Authority issues guidelines to the Liquor and Gambling Commissioner as follows:

1. Preliminary

- (1) These guidelines may be cited as the Game Approval (Gaming Machines) (No.1) Guidelines 2003.
- (2) These guidelines come into operation on 1 July 2003.
- (3) These guidelines are issued for the purposes of section 40(2) of the *Gaming Machines Act 1992*, for the purposes of the Liquor and Gambling Commissioner assessing whether a game is likely to lead to an exacerbation of problem gambling.

2. Game characteristics tending to an exacerbation

- (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;
 - (b) **[illusion of control]** that the player may be induced to believe that his or her level of skill will affect the outcome of the game when this is not the case;
 - (c) **[win truncation]** that there are circumstances in which a prize provided for by the rules of the game would, but for a provision that provided that

Appendix 2: Game Approval (Gaming Machines) (No.1)
Guidelines 2003—continued

prizes would be truncated to the maximum prize permitted by law, exceed the maximum prize permitted by law;

- (d) **[feature entry bet]** that the game has a special feature which is only available if the player bets at or above a particular level;
- (e) **[paid-for feature game]** that the game has a special feature which will only commence if a further bet or bets are made;
- (f) **[metamorphic]** that the game will transform into a different game when certain game events (requiring further play) have occurred;
- (g) **[free spins]** that the game has a special feature which includes more than 25 automated free reel spins or bets;
- (h) **[rate of play]** that the reel spin interval of the game is less than 3.5 seconds or, in the case of a game which does not display reels, a bet can be placed more than 17 times per minute;
- (i) **[game screen meters]** that the game does not display the value in money of the credit balance, bet and win, using a “\$” symbol and numerals of the same size and intensity as the display of the credit balance, bet and win.

3. Assessment of new characteristics

If a proposed game has a feature or characteristic which is new, or which causes the proposed game to differ materially from the games already approved at the time the application for approval is made, the Liquor and Gambling Commissioner should require the applicant to provide a responsible gambling impact analysis of the game and the role of the feature or characteristic.

APPENDIX 3

Game Approval (Casino) (No.1) Guidelines 2003

SOUTH AUSTRALIA

CASINO ACT 1997

Game Approval (Casino) (No. 1) Guidelines 2003

The Independent Gambling Authority issues guidelines to the Liquor and Gambling Commissioner as follows:

1. Preliminary

- (1) These guidelines may be cited as the Game Approval (Casino) (No.1) Guidelines 2003.
- (2) These guidelines come into operation on 1 July 2003.
- (4) These guidelines are issued for the purposes of section 37A(1) of the *Casino Act 1997*, for the purposes of the Liquor and Gambling Commissioner assessing whether a gaming machine game is likely to lead to an exacerbation of problem gambling.

2. Game characteristics tending to an exacerbation

- (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;
 - (b) **[illusion of control]** that the player may be induced to believe that his or her level of skill will affect the outcome of the game when this is not the case;
 - (c) **[win truncation]** that there are circumstances in which a prize provided for by the rules of the game would, but for a provision that provided that prizes would be truncated to the maximum prize permitted by law, exceed the maximum prize permitted by law;

Appendix 3: Game Approval (Casino) (No.1) Guidelines 2003—
continued

- (d) **[feature entry bet]** that the game has a special feature which is only available if the player bets at or above a particular level;
 - (e) **[paid-for feature game]** that the game has a special feature which will only commence if a further bet or bets are made;
 - (f) **[metamorphic]** that the game will transform into a different game when certain game events (requiring further play) have occurred;
 - (g) **[free spins]** that the game has a special feature which includes more than 25 automated free reel spins or bets;
 - (h) **[rate of play]** that the reel spin interval of the game is less than 3.5 seconds or, in the case of a game which does not display reels, a bet can be placed more than 17 times per minute;
 - (i) **[game screen meters]** that the game does not display the value in money of the credit balance, bet and win, using a “\$” symbol and numerals of the same size and intensity as the display of the credit balance, bet and win.
- (3) For the purpose of sub-clause (2)(h), in assessing the likelihood that approval of a game with a particular rate of play will exacerbate problem gambling, it is relevant, and the Commissioner must take into account, whether the premises into which the game will be introduced are subject to a mandatory requirement for gamblers to be subject to responsible gambling supervision and whether there is an early intervention process available and ready access in that environment to counseling or an effective referral service.

3. Assessment of new characteristics

If a proposed game has a feature or characteristic which is new, or which causes the proposed game to differ materially from the games already approved at the time the application for approval is made, the Liquor and Gambling Commissioner should require the applicant to provide a responsible gambling impact analysis of the game and the role of the feature or characteristic.

CONSOLIDATION NOTES

1. This consolidation incorporates amendments made by the Authority on 20 August 2004.

APPENDIX 4**Extract of AGR2—Australasian Gambling Review, Second Edition (1992–2006)**

This extract commences at page 105³.

5.3.4 Sydney University machine reconfiguration study

The most extensive research into how machine characteristics might influence both behaviour and gambling expenditure on EGM was undertaken by Blaszczynski, Sharpe and Walker (2001)⁴ (also summarised in Blaszczynski, Sharpe, & Walker, 2003⁵). This series of studies was undertaken in conjunction with NSW clubs and hotels, and using gaming machines that had been modified so as to remove certain key characteristics. The game chosen was Pirates, a popular Aristocrat machine, that has a reel spin speed of 3.5 seconds, note acceptors for cash notes up to \$100, and a maximum bet size of \$10 per spin as based upon the maximum 20 lines and 25 credits per line (2 cent credits). These machines were modified so as to reduce the spin speed down to 5 seconds, to restrict the maximum bet to \$1, and/or reconfigure the note acceptors so that they only accepted \$5, \$10 and \$20 notes. In the hotels, one machine with all 3 modifications was placed next to an unmodified machine, whereas in clubs, machines with every possible combination of modifications were provided (see below).

No change to bill acceptor

	Maximum bet = \$1	Maximum bet = \$10
Play speed (fast, 3.5 seconds)	A	B (unmodified machine)
Play speed (slow, 5 seconds)	C	D

Change to bill acceptor (Maximum \$10)

	Maximum bet = \$1	Maximum bet = \$10
Play speed (fast, 3.5 seconds)	E	F
Play speed (slow, 5 seconds)	1G	H

³ Paul H. Delfabbro, *Australasian Gambling Review Second Edition (1992–2006)*—incorporating Paul H. Delfabbro and Amanda Le Couteur, *Gambling Research in Australia and New Zealand (1992–2002): Implications for policy, regulation and harm minimization*, updated (twice), with a preface, to cover the state of the literature as at 30 June 2006, Independent Gambling Authority, Adelaide, 2007

⁴ Blaszczynski, A., Sharpe, L., & Walker, M. (2001). The assessment of the impact of the reconfiguration on electronic gaming machines as harm minimisation strategies for problem gambling. University of Sydney, Gambling Research Unit.

⁵ Blaszczynski, A., Sharpe, L., & Walker, M. (2003). *Harm minimisation in relation to gambling on electronic gaming machines*. Submission to the IPART review. Sydney University.

Appendix 4: Extract of AGR2—continued

Players who were present in the clubs and hotels were invited to participate in the study, and asked to respond to some brief questions concerning their gambling habits, as well as the SOGS. Thus, it was possible to compare the responses of problem vs. non-problem gamblers on each of the machines. The analysis conducted in clubs is arguably the most interesting because players were exposed to all 8 machines, so it is possible to determine how individual modifications affected responses. A total of 110 participants played all 8 machines, and 175–188 players played the unmodified machine and at least one other modified machine. This allowed comparisons across all machines as well as pair-wise comparisons involving machine B (see above) vs. each of the others individually.

In the first study, players were asked to rate their satisfaction with each machine, as well as how exciting it was. The analyses conducted by Blaszczynski *et al.* (2001) revealed that play speed significantly influenced both measures. Machines with slower play speed were perceived as less exciting and less enjoyable, although this effect was not particularly large (less than 0.5 points on a 5-point rating scale). Ratings typically decreased from around 2.9–2.0 out of 5 to around 2.6–2.7. Players also found the restriction to maximum bet size reduced their enjoyment, but this did not affect their satisfaction. Modification to the note acceptors did not influence either rating. When asked if they had detected the nature of the modification, most players had no trouble identifying the reduction in reel speed, but very few, if any, noticed the other modifications. Nevertheless, when asked which machine they most preferred, 23% rated the control machine as most preferred compared with only 7.5–15% who preferred the other machines. All of these effects did not differ depending upon whether a person was a problem vs. non-problem gambler.

In a second study, 779 players from 4 clubs and 7 hotels were invited to participate in the research using announcements and advertisements during peak periods. The same experimental design was used, except that observers were placed in the clubs for 10 hours a day for 5 consecutive days to observe the behaviour of all players who chose to gamble on the experimental machines. Only experimental patrons were allowed to use these machines. Players were told that the payout rates were exactly the same as on regular machines (which was true).

The results of Study 2 indicated that problem gamblers were more likely to use note acceptors of greater than \$20 (22% vs. 10% of recreational gamblers); problem gamblers were more likely to bet more than \$1 per spin (7.5% vs. 2.3% for recreational gamblers), but there was no significant difference in rates of play, i.e., problem gamblers were no more likely to play faster than other gamblers. However, problem gamblers (in clubs) were found to play longer than recreational gamblers (42 minutes vs. 29 minutes), to bet more on each spin (3.7 credits per line vs. 1.8), and to lose more in the session (\$54 vs. \$17). They also consumed more cigarettes and alcohol. There was no significant difference in relation to the average number of lines selected per spin, or in the usage of ATMs in venues.

Appendix 4: Extract of AGR2—continued

Blaszczynski *et al.* (2001) also conducted a series of regression analyses to determine what factors influenced performance. Unfortunately, as the authors themselves conceded, these analyses were difficult to interpret given the significant overlap between many of the variables analysed. For example, although persistence (time spent playing) was predicted by the amount wagered, SOGS scores, and the amount drunk or smoked, these factors are themselves a function of persistence, so the relationship is probably circular. That is, the longer the session of gambling, the greater the losses, and the more cigarettes and alcohol that would be consumed. It is not therefore possible to conclude that these factors influenced persistence.

Another potentially problematic conclusion concerns the reported relationship between play speed and persistence. According to the authors, these two factors were inversely related, so that slower play speed would be associated with greater persistence. However, the difficulty here is that the play speed of each player was based upon the length of the person's session divided by the number of plays. Once again, this analysis is potentially circular, in that there may have been other factors that contributed to longer sessions in problem gamblers. For example, if problem gamblers playing the slower machines had compensated for the reduced rate of reinforcement by betting on more lines, or betting more per line, they would have obtained larger wins and (on average) longer payout sequences (music sequences), and probably more free-spins. These factors alone would have accounted for the lower play-speed estimate.

As Delfabbro and Winefield (1999)⁶ pointed out, it is a fundamental rule in operant research to distinguish inter-response intervals from post-reinforcement pauses or events. This is because it is possible to observe no significant differences in the former, but significant differences in the latter. Variations in response rates can only be validly measured by directly recording each response and the time intervening, and removing the delays caused by reinforcement sequences. Further work could, therefore, be conducted using Blaszczynski *et al.*'s (2001) methodology, but with direct recording of response rates to sort out these two effects. Furthermore, in future modifications to machines, it would be useful to control for the potentially confounding effects of other features. If play-rate variations are examined, this should be done with betting options held constant, so that those on slower machines do not, consciously or unconsciously, increase the number of lines to maintain a higher rate of reinforcement.

Nonetheless, despite these potential problems, Blaszczynski *et al.*'s (2001) argument that modifications could be circumvented by playing longer is still valid. Indeed, this was confirmed in a third study that tracked the amount spent by a sub-sample of gamblers on the different machines, and how often they played. This study confirmed Haw's (2000) finding that modifications to machines of this nature significantly influence the turnover of machines. Revenue was lower on machines with slower play speed, lower maximum

⁶ Delfabbro, P.H., & Winefield, A.H. (1999). Poker machine gambling: An analysis of within session characteristics. *British Journal of Psychology*, 90, 425-439.

Appendix 4: Extract of AGR2—continued

bet sizes, and also lower value note acceptors. The decrease in the money inserted into the machine was 34% indicating that people were less likely to play the machines, but the decrease in cash in-cash out was even greater (48%). Cash in-cash out refers to the amount earned by the machines as based upon the amount inserted and the winning removed. When players persist longer, the amount lost (X) gets increasingly larger as a result of cumulative effect of the negative rate of return on the amount put through the machine. The fact that problem gamblers were found to stay longer at venues (even if they did not gamble any more frequently) (around 8 hours vs. 4–5 hours) on each visit suggests that even subtle differences in the amount of money played through the machine could have a significant influence on the expenditure of problem gamblers.

In 2003, Blaszczynski et al.'s (2001) study was subject to a detailed review and critique by researchers from the New Zealand Centre for Gambling Studies (Tse, Brown, & Adams, 2003⁷). On the whole, the reviewers were impressed with the quality of the work undertaken by the Sydney University team, but drew frequent attention to a number of ambiguities in statistical and methodological reporting. In their view, the only principal limitation of the report was that there were several inconsistencies in reporting between the Executive Summary and the body of the report, which made it difficult for the reader to decide whether specific machine modifications were likely to be effective or ineffective in harm minimisation. For example, inspection of the results indicated that reducing the maximum bet size and removing note acceptors appeared to be the most promising strategies to reduce losses on EGMs and that slowing reel speed appeared less effective. However, in other parts of the Executive Summary, it was pointed out that relatively few gamblers bet any more than the reduced bet amount of \$1 anyway, so that restricting the maximum bet size to \$1 would only influence the behaviour of relatively few gamblers. The New Zealand team believed this to be an unnecessarily pessimistic conclusion and argued this potential harm minimisation measure showed “strong potential as a machine-based modification to minimise harm associated with problem gambling.” (Tse *et al.*, p. 6).

The New Zealand review also provided a detailed critique of the Sydney University's analysis of the financial impacts of the modifications and subsequent analyses conducted as part of a report prepared by the Centre for International Economics (CIE) (2002). Although raising some concerns about the presentation of some of the statistical information in the Sydney University report, the reviewers were generally satisfied with most of the analyses. On the other hand, they were generally dissatisfied with many of the analyses presented in the CIE report, particularly those relating to the projected venue and state-wide revenue impacts of specific machine modifications. According to the CIE, full introduction of the three machine modifications investigated by the Sydney

⁷ Tse, S., Brown, R., & Adams, P. (2003). *Assessment of the research on technical modifications to electronic gaming machines in New South Wales*. Sydney, NSW Department of Gaming and Racing.

Appendix 4: Extract of AGR2—continued

University team to NSW EGMs would lead to a 20% reduction in club gaming revenue and a 40% reduction in hotel gaming revenue.

♣ **In conclusion, Blaszczynski *et al.*'s (2001) first two studies provide further convincing evidence that reducing the number of credits that can be bet per line would be a useful harm-minimisation strategy for problem gambling. Slowing the reel speed would also be useful, except that this would only be effective if this coincided with controls over other betting options. As a stand-alone modification, these features would have little effect because players could compensate by gambling more intensively, or by gambling longer. The removal of high-denomination note acceptors may also be of limited value. Although problem gamblers are more likely to use these facilities, and this appears to increase the turnover on machines (Haw, 2000), problem gamblers have the option of inserting smaller notes more frequently if the high denomination option were unavailable.**



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