

10 ELECTRONIC GAMING MACHINES PLAYER LOSS

10.1 Background

This chapter presents player losses (also known as player expenditure) data obtained from the NTG Department of Business. Changes in EGM player loss can reflect policy changes, consumer preferences, or changes in the number of venues and machines in venues. There were four changes to policy and regulation over the period 2003/4 to 2014/15 that may have affected player losses and the number of EGMs operating in the NT:

- Smoking ban in all venues started from 1 January 2010.
- Note acceptors allowed in community venues (hotels and clubs) from 28 May 2013, bringing them into line with the two casinos, which have always had note acceptors, allowing players put in up to \$999 in \$20, \$50 or \$100 notes.
- Previous caps of 10 EGMs per hotel and 45 EGMs per club were lifted in July 2015 to allow hotels up to 20 EGMs and clubs up to 65 EGMs.
- Minimum percentage return to player was amended on 21 September 2015 for casinos from 88% to 85%, which brought them into line with community venues.

10.1.1 Chapter contents

The chapter presents trends in number EGMs, number of venues, player loss, player loss per machine, and percentage return to player for different venue types. Trends are reported for unadjusted and entertainment CPI adjusted (to 2014/15 dollar values) data, with entertainment CPI adjusted data also known as 'real' dollar values (i.e. pegged to the most recent year of data). These may differ slightly to other published data, which uses regular CPI to adjust to the most current year.

10.2 Chapter highlights

- The number of EGMs in the NT peaked in 2010/11, and since then has been relatively stable at around 2,200 machines, which were spread mostly evenly between the casinos (48%) and community (clubs and hotels) venues (52%).
- The number of venues with EGMs has declined from a high of 80 in 2008/9 to 70 in 2014/15, the lowest number since 2003/4.
- Real EGM player losses in the casinos have been declining since 2007/8 (\$113 million) and in 2014/15 were \$79 million. However, in hotels and clubs, from a peak in 2008/9 (\$96 million), real player losses declined to \$64 million in 2012/13, before increasing by more than 27% over two years to \$83 million, with hotels and clubs now having a greater share of EGM player losses than the two casinos for the first time in the NT.
- Real EGM player loss per machine peaked in 2007/8 for the two casinos (\$136,000 per machine) and for community venues (\$83,000), with player losses in hotels and clubs declining to \$59,000 per machine in 2011/12 before increasing steadily and reaching \$74,000 per machine in 2014/15, which was just less than the casinos at \$75,000 per machine.
- Player returns ($[100\% - \text{player losses/machine turnover}] \times 100$) in the casinos were relatively stable and varied between 91.1% and 91.9% over the period, in contrast with community venues, where player returns have been steadily increasing from 88.6% in 2003/4 to 90.5% in 2014/15, and appear to be converging with EGM player returns in the casinos.

10.3 Casinos, hotels and clubs player loss and EGM numbers

Table 61 shows the number of EGMs and player loss for the two casinos combined, and for hotels and clubs combined. Since 2009/10 the total number of EGMs in the NT has been relatively stable at around 2,200 machines, with machines evenly spread between the community venues (i.e. hotels and clubs) and the two casinos.

Table 61: Number of EGMs and unadjusted player loss by venue, 2003/4 to 2014/15

	Casinos Number of EGMs	Hotels & Clubs Number of EGMs	Casinos Player loss (\$)	Hotels & Clubs Player loss (\$)	Total player loss (\$)
2003/04	702	950	\$59,086,691	\$45,000,354	\$100,051,980
2004/05	740	972	\$65,868,373	\$49,861,432	\$111,458,867
2005/06	790	1,027	\$74,747,916	\$56,833,630	\$123,716,768
2006/07	814	1,062	\$79,727,167	\$63,705,628	\$137,590,133
2007/08	828	1,138	\$85,788,583	\$72,063,598	\$152,683,671
2008/09	861	1,166	\$91,583,934	\$78,665,192	\$162,349,953
2009/10	1,037	1,172	\$87,126,562	\$69,581,833	\$171,216,429
2010/11	1,074	1,167	\$80,437,456	\$62,549,616	\$144,401,762
2011/12	1,037	1,125	\$81,378,844	\$62,673,592	\$141,711,552
2012/13	1,050	1,062	\$80,900,227	\$61,135,424	\$143,818,678
2013/14	1,081	1,078	\$81,271,025	\$68,838,209	\$144,019,774
2014/15	1,050	1,116	\$79,099,924	\$82,629,460	\$157,111,766

Figure 124 shows the number of EGMs and the type of venue they were located in from 2003/4 to 2014/15, while Figure 125 shows the percentage of EGMs by venue type. The number of EGMs in the NT increased from 2003/4 to 2010/11 at which time it peaked at 2,241 machines. Since 2010/11 the number of EGMs across the NT has remained steady between 2,100 and 2,160. The number of EGMs in clubs and hotels declined from 2010/11, with EGM numbers peaking for hotels in 2009/10.

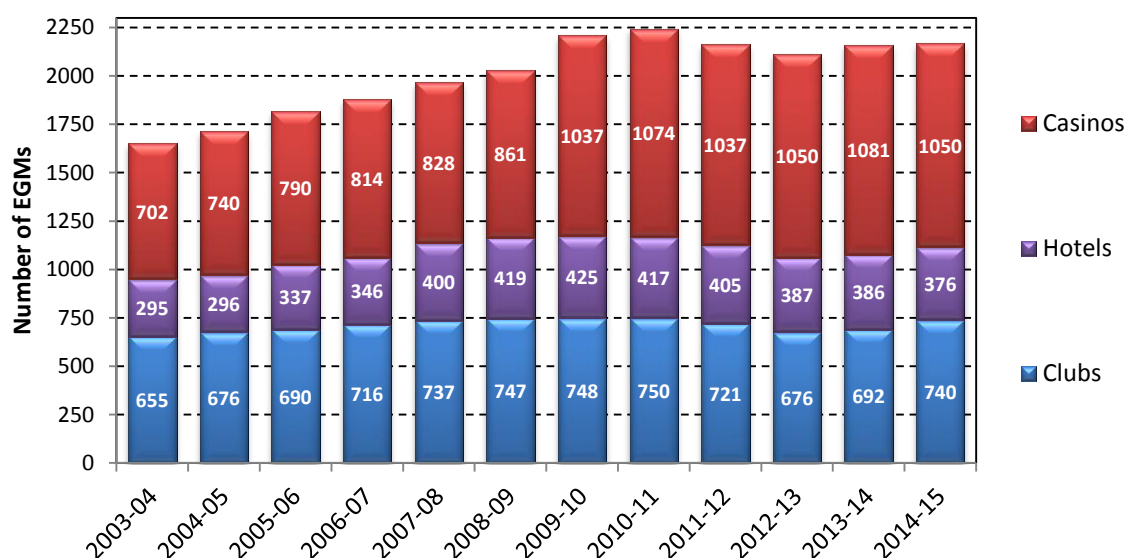


Figure 124: Number of EGMs by venue type, 2003/04 to 2014/15

Figure 125 shows that the two casinos increased their share of EGMs over the 2003/4 to 2014/15 period, and controlled between 48% and 50% of all EGMs in the NT from 2010/11 to 2014/15. Hotels had an increasing share of total EGMs from

2003/4 (18%) to 2008/9 (21%), followed by a decreasing share through to 2014/15 (17%). Forty percent of EGMs were located in clubs in 2003/4, and this share declined through to 2013/14 when clubs had 32% of EGMs, before increasing in 2014/15 to 34%.

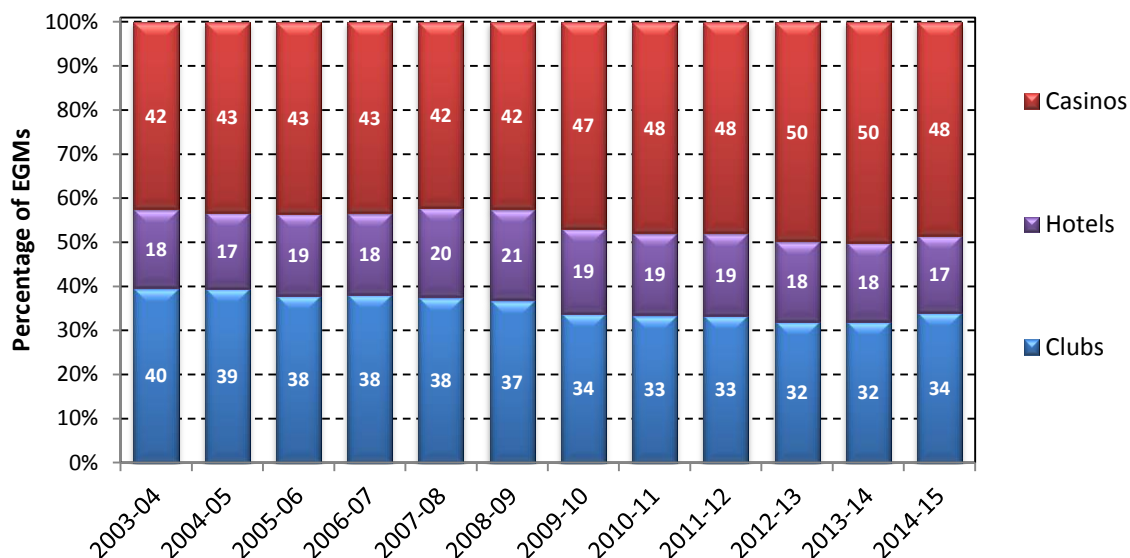


Figure 125: Percentage of EGMs by venue type, 2003/04 to 2014/15

Figure 126 shows the number of venues by venue type. There have only been two casinos located in the NT over the period (Alice Springs and Darwin). The number of hotels increased from 34 in 2003/4 and peaked in 2007/8 to 2008/9 at 45 venues, before declining to 38 venues in 2014/15. The number of clubs has remained relatively stable over the 2003/4 to 2014/15 period, ranging from 29 to 33, though since 2010/11 there has been a drop from 33 to 30 club venues.

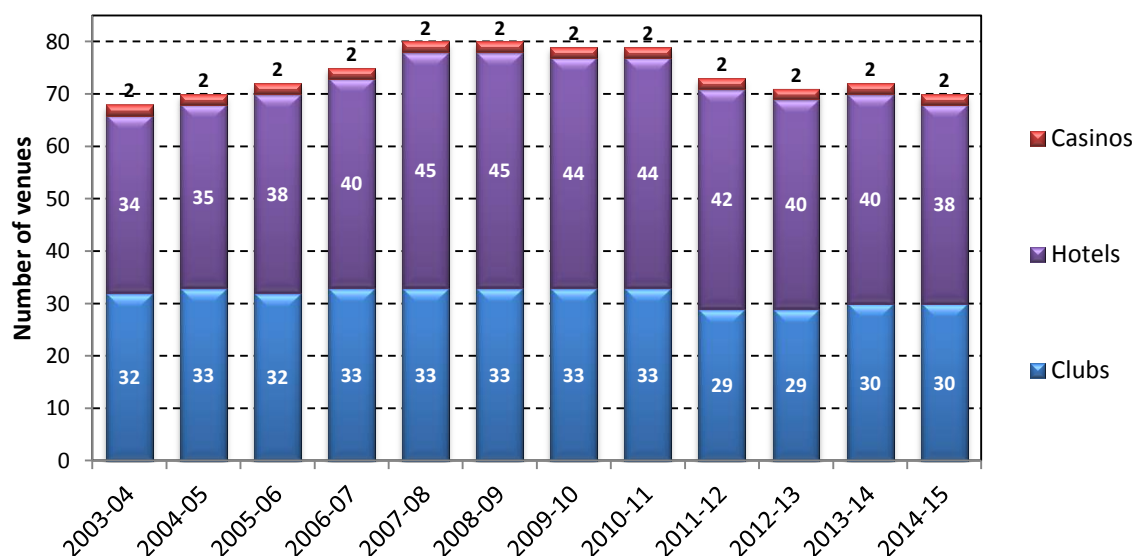


Figure 126: Number of venues by venue type, 2003/04 to 2014/15

Figure 127 shows that there has been increasing player losses in both community venues and the casinos up until the 2008/09 financial year. This increase in growth to some degree simply reflects the increasing numbers of EGMs available, but is also a function of a venue's player loss per machine. The smoking ban officially started in 2009, though some venues had already begun to go smoke free prior to this date, and this policy change has had a large impact on player losses. Player losses for community venues and the casinos declined from 2008/9 to 2009/10, which likely reflects a reduction in spend by EGM players who smoke. Therefore, while increasing EGM numbers contributed to increasing overall player losses as EGM numbers increased until 2010/11 and then plateaued, the smoking ban had a significant impact on unadjusted EGM player losses.

Different trends in player losses were observable between the casinos and community venues. For casinos, there are steadily increasing player losses from 2003/4 to 2008/9, followed by decreasing player losses from 2008/9 to 2010/11, and then a levelling out period from 2010/11 to 2014/15. The first two trends that were present for casino player losses were also present for community venues (increasing to 2008/9, and then decreasing to 2010/11). However, player losses began to increase again from 2012/13 to 2014/15 in community venues, and in 2014/15, for the first time in the NT, community venues accrued (\$83 million) more player losses than casinos (\$79 million). This increase is likely attributable to the policy change that allowed community venues to install not acceptors on their EGMs, though to make conclusive attribution, data at the machine level would be required, or at least the proportion of EGMs in a venue that had note acceptors.

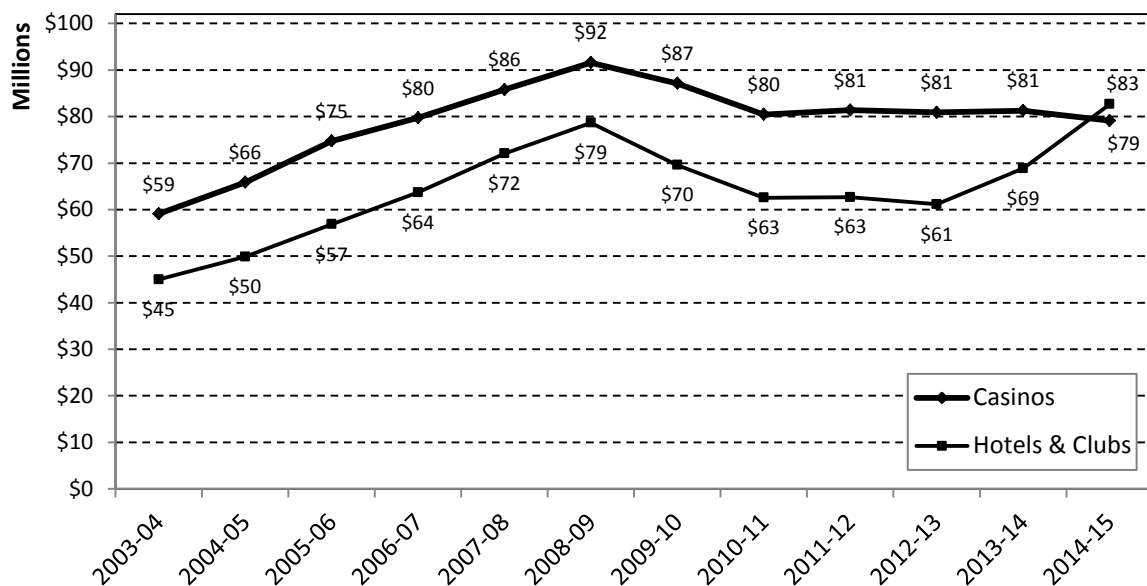


Figure 127: Unadjusted player loss by venue type, 2003/04 to 2014/15

Figure 128 shows player loss trends for the casinos and community venues, but this time the data is adjusted using the entertainment CPI to reflect 2014/15 dollar values. This changes the trends observed for both community venues and the casinos. The upward trend in player losses for casinos now peaks in 2007/8 (one year before unadjusted), and then declines every year from then until 2014/15. For community venues, the increasing trend still peaks in 2008/9, and then declines through to 2012/13, before increasing again, as with the unadjusted data.

So, real player losses from casinos declined 1% from 2007/8 to 2008/9, declined 10% from 2008/9 to 2009/10, declined 11% from 2009/10 to 2010/11, and from 2011/12 to 2014/15 there were percentage decreases ranging from 2% to 5%. In community venues, the hit on player losses from the smoking ban was larger than casinos. In community venues, there was an initial decline of 16.2% from 2008/9 to 2009/10, followed by a 13% decline from 2009/10 to 2010/11, then declines of 5% and 4% from 2010/11 to 2011/12 and 2011/12 to 2012/13 respectively, before an increase of 10% and 17% in the final two time periods respectively. In 2014/15 dollar values, community venues had regained much of the player losses from 2009/10 incurred by the smoking ban, with the 2014/15 player loss being similar to that one year after the smoking ban. Casino EGM player losses in real dollars are lower now than at any point over the last 12 years, while in community venues they are similar to 2005-2007 player losses.

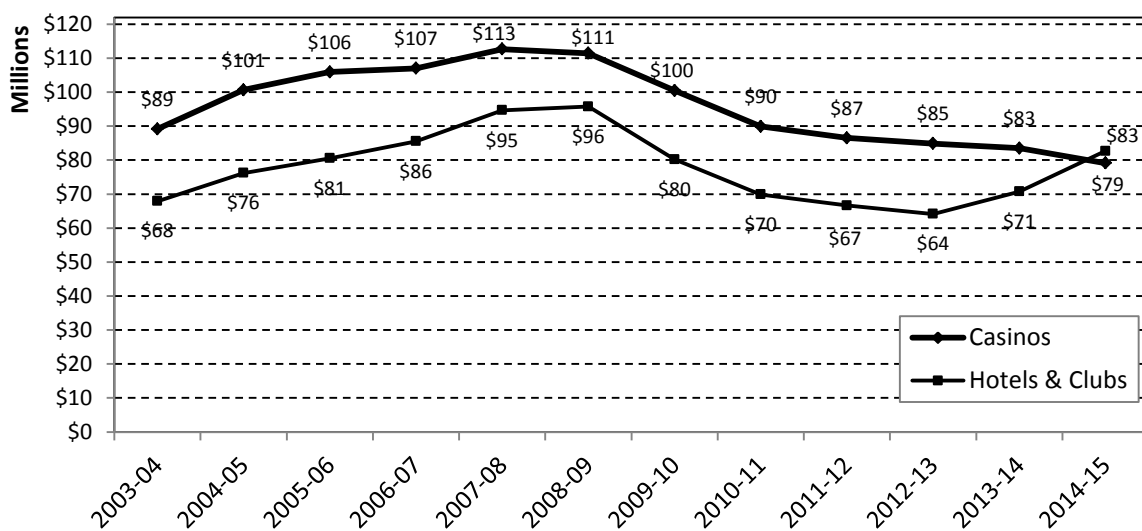


Figure 128: Entertainment CPI adjusted player loss by venue type, 2003/04 to 2014/15

10.4 Casinos, hotels and clubs player losses per EGM

In addition to total player loss, it is instructive to look at player loss per machine across venues. Figure 129 shows player loss per machine for community venues and the casinos from 2003/4 to 2014/15. Player losses per machine follows a similar trend to that observed for total player losses, but with larger changes in trends. For example, player losses in casinos increase steadily from 2003/4 to 2008/9, before declining 21% from \$106,000 to \$84,000 per machine between 2008/9 and 2009/10. Casinos player loss per machine declined 11% from \$84,000 to \$75,000 between 2009/10 to 2010/11, before increasing 5% and then declining slightly over the last three years up to 2014/15. Community venues player loss per machine followed a similar trend to casinos, until 2011/12. However, community venues had much lower player loss per machine than the casinos ranging from 37% to 44% lower from 2003/4 to 2008/9, at which time the difference in player loss per machine between community venues and the casinos began to converge. In fact, since 2012/13 player loss per machine in community venues has increased 27%, while over the same time in casinos there was a 2% decline in player loss per machine.

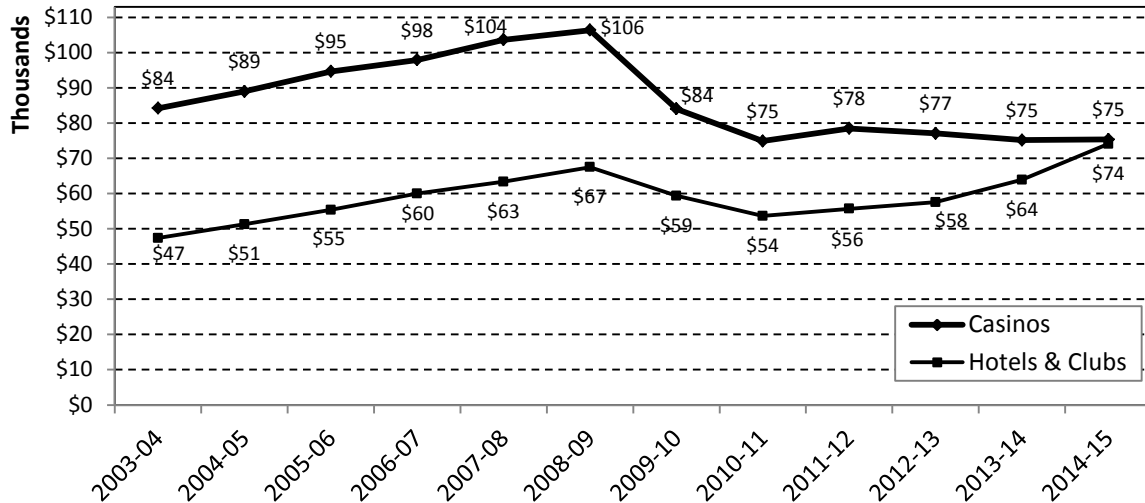


Figure 129: Unadjusted player loss per machine by venue type, 2003/04 to 2014/15

Figure 130 shows the trend in player loss per machine adjusted to 2014/15 dollar values for community venues and the casinos. As with unadjusted player loss per machine, there was a steady closing of the gap between casinos and community venues, and this closing of the gap occurring more rapidly after the smoking ban, before reaching virtual parity in 2014/15. For casinos, player loss per machine was relatively steady from 2003/4 to 2008/9, ranging from \$127,000 per machine to \$136,000 per machine. The drop in player loss per machine in casinos of 25% in the first year after the smoking ban, and a further drop of 14% from 2009/10 to 2010/11 was larger than the unadjusted data, and continued with per annum changes between -0.3% and -5% from 2011/12 to 2014/15. Community venues experienced a drop in player loss per machine of 17% and 12% in the two years following the smoking ban, before steadying and then increasing 9% from 2012/13 to 2013/14 and 13% from 2013/14 to 2014/15.

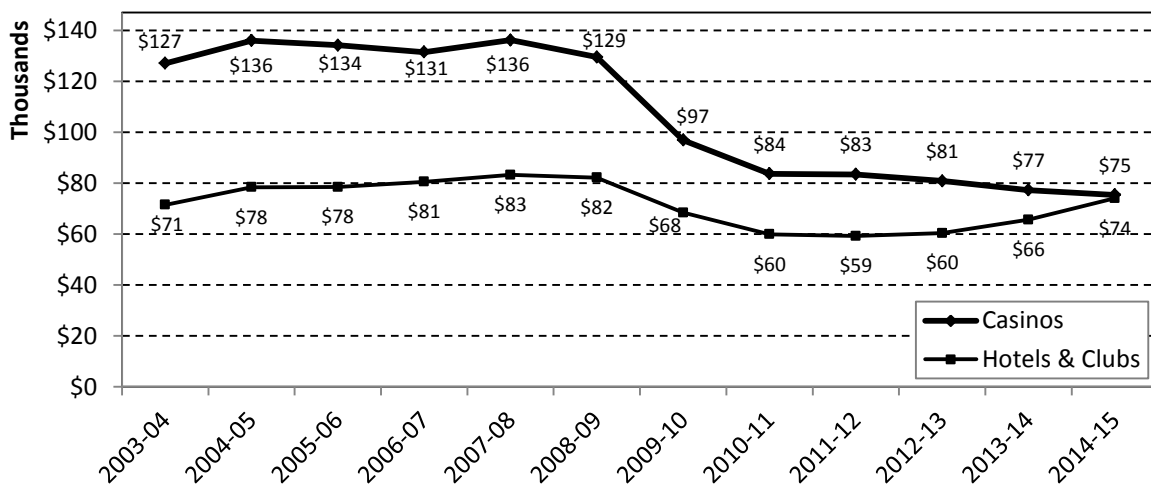


Figure 130: CPI adjusted player loss per machine by venue type, 2003/04 to 2014/15

10.5 Percentage player returns for casinos and hotels and clubs

Figure 131 shows the trend in percentage player return, which is calculated by dividing player losses by the amount of money that is put into EGMs and converting this to a percentage. Legislation stipulates that player returns should be no lower than 85%. The casinos EGMs, on average, gave a higher percentage player return than community venues, though this narrowed from a 3.2% difference in 2003/4 to a 1.4% difference in 2014/15. Casino player returns dropped from 91.7% in 2003/4 to 91.1% in 2006/7, before increasing steadily to 92% in 2011/12, and then stabilising again until 2014/15 with returns to players between 92% and 91.7%, similar to returns seen in 2003/4. Community venues on the other hand have steadily increased player returns from 86.6% to 90.5% between 2003/4 and 2014/15, representing a 4.5% increase over this time.

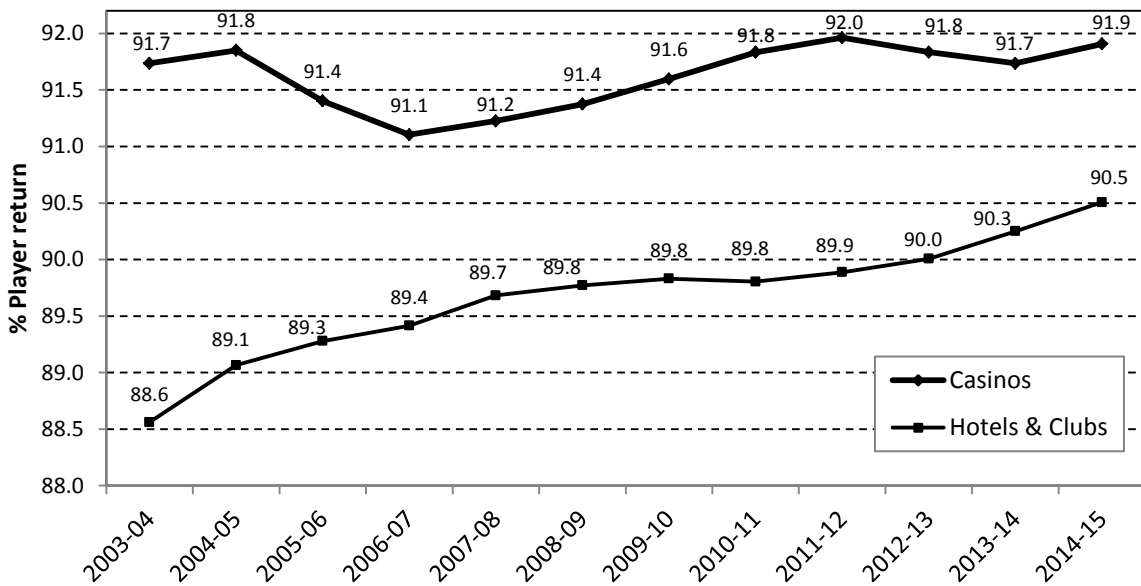


Figure 131: Percentage player return by venue type, 2003/04 to 2014/15

