

Let the VLT games begin

Italy prepares itself for the introduction of VLT gaming, new concession holders, manufacturers and operators in the market

Back in July, the Italian Parliament met to discuss the final drafting of the Comma 6B law, which will finally allow the operation of video lottery terminals (VLTs) in the Italian market. The meeting was, predictably, a passionate one, with calls from MPs on all points raised pulling the legislation in opposite directions. However, pushing through the changes was the new AAMS (Autonomous Administration of the State Monopoly) President, Raffaele Ferrara, a man with considerably more power and discretion than his predecessor. Mr. Ferrara is in a strong position to propose whatever reforms he sees as necessary in order to execute the will of the government.

Mr. Ferrara's reputation on its own, wasn't quite enough to calm the objections from representatives of the "Comma 6" and "6A" community in Italy. Operators and manufacturers are concerned that the new 6B offering will be much more attractive, can have any kind of peripheral (smartcard, bill validator, ticket-in, ticket-out) and a lower overall taxation package. The concerns raised could prove all too real should the current trials of the new devices prove positive in the marketplace.

The AAMS is currently offers the incumbent concession holders first crack at the available 50,000 VLT install, against a payment of a nine year licence fee of €15,000 for each VLT. Concession holders can install VLTs equivalent to 14 per cent of their current AWP estate. However, 50 per cent of the fee is payable in advance, while the remainder is payable when the VLT is installed. At present there are 340,000 AWP conforming with Comma 6 and 6A. Approximately, 240,000 have been converted to 6A and the rest will be converted when the operator requests it and has the €1,000 fee available.

Manufacturers of Comma 6A machines are very satisfied with the arrangements, but operators complain that there have

been three conversions forced upon them by sudden changes in the law. They are asking for future concessions, such as the possibility to retrofit peripherals to be considered by the AAMS.

The original requirements of separate areas for the operations of VLTs has been dropped and VLT can now be installed in the same room as 6A machines.

The deadline for concessionaires to present samples of their VLT has been extended to October 31, with expectations that the October ENADA in Rome will see the first physical machines for the market. By this date the present concessionaires will have to commit themselves to their quota by paying the 50 per cent licence fee. Concessionaires who owe tax to the government will have to settle their dues before they're allowed to take part in the bid. Should the present concessionaires not subscribe to their quota of VLTs, the remaining percentage will be offered up to newcomers. Originally no new concessionaires were to be appointed before April 2010, but it now appears that the government is hungry for new concessionaires to enter the market. Expectations run high that new entrants could enter the market before the end of the year.

There are mixed feeling among operators and manufacturers in regards to the possibilities of VLTs in the Italian market. On one side, there is the hope that the new VLTs will create a revolution in gaming, much as happened in the German market with the introduction of video-based multi-game machines. The expectation is that Italian players will demand the new VLT games forcing operators to invest in the devices.

However, skeptics consider the new model as the antithesis of the Italian street model. VLTs are not typically bar machine, where traditionally the most successful games in Italy have drawn



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players to small devices located at the bar (poker machines). Operators are also very happy with the present performance of the Comma 6A machines, which generating a good return on investment, and so do not look forward to the introduction of the VLT.

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foreign manufacturers, which is again something that runs counter to the present domestic set-up in Italy.

The VLT will also have to be sold through the present concessionaires or the 'new concessionaires' if the bid for 14 per cent of their estate should come up short. The government offers a two per cent tax rebate in the first year, but the problem will be the raising of the money for the new VLTs, while also paying upfront for

G3 is to produce a full country report on the Italian market in the November (G2E) issue.

the VLT licence fee.

The stance of the casino industry in Italy, though relatively small, has also taken against the new devices. A meeting between the casino groups and Mr. Ferrara raised a score of objections from the Italian casino sector. The operators are particularly concerned that the games provided on VLTs will feature black jack, punto banco and roulette, games that were once the reserve of the casinos. At a

time of global economic crisis, the casinos are concerned that the introduction of VLTs will bite even further into the margins of their operations.

The outcome of the meeting between the AAMS president and members from Italy's four casinos, remains private. However, it is known that the casino operators are looking to either fight the introduction of VLTs or operate the devices themselves. Rumours at present suggest that at least two of the casino groups is expected to become a VLT concessionary holder.

The Casino de Venezia is top of the list, having taken action to prevent the Italian AWP playing public from causing further damage to its bottom line by obtaining a licence to open six of its own gaming halls in choice locations. These six upmarket arcades are in addition to the four spa-resort Kursaals announced earlier this year.

The concerns of the casino operators at the introduction of VLTs in the Italian market have been partially prompted by significant drops in slot revenues in Italian, Slovenian, Swiss and French casinos, due to the fact that Italian players have taken such a liking to the Comma 6A AWP. Revenue in the AWP sector in Italy is up since May in spite of the economic crisis, not least due to the fact that there are currently black jack, roulette, 'poker' and bingo games conforming with 6A.

While Italian manufacturers are currently preoccupied with the conversion of Comma 6 machines to 6A, they are prepared to offer VLTs, but remain unsure as to how successful the project will be at the beginning. Their concerns are that the operators are short of money and that they themselves have no reference upon which to manufacture a VLT.

There are many Italian manufacturers who, surprisingly, have no plans to manufacture VLTs as they do not believe the specifications are yet final. There are also those upset in regards to the speed at which the law has been proposed. Many simply don't have the time to produce a sample VLT in time and many concede that at the beginning, VLTs will have to be imported.

There are also several of the current concessionaires who are in a poor financial position, because they have been allowed to use tax money to finance their expansion. Expectations run high that the Italian government will use the introduction of VLTs to rid itself of the under-performing members of its present gaming community.