

Marcus Prater
Executive Director
Association of Gaming Equipment Manufacturers (AGEM)
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Governor Sandoval, Chairmen Alamo and Burnett and distinguished members of the Gaming Policy Committee, thank you for the opportunity to speak today. On behalf of our 150 member companies from 21 countries, the Association of Gaming Equipment Manufacturers is honored to share some thoughts with you today. For those of you not familiar with AGEM, we are a non-profit Nevada-based trade organization representing manufacturers and suppliers of electronic gaming devices, lotteries, systems, table games, online technology, key components and support products and services for the gaming industry. AGEM works to further the interests of gaming equipment suppliers throughout the world. Together, AGEM has assisted regulatory agencies and participated in the legislative process to solve problems and create a business environment where AGEM members can prosper while providing a strong level of support to education and responsible gaming initiatives.

AGEM today would like to promote the important connection between the Governor's big-picture vision, shared by many, of ensuring that Nevada remains the intellectual capital of the global gaming industry and how the Gaming Control Board and the suppliers worked together in the aftermath of Senate Bill 9 that legalized variable-payback slots. In both cases, Nevada officials and the supplier sector are working together for the betterment of all.

In the case of Nevada as the epicenter of the gaming industry, the suppliers and their games, systems, tables, services, creativity, vision and innovative technology are firmly anchored here already and export "made in Nevada" to regulated gaming markets all over the world. IGT and Scientific Games are now the largest gaming technology companies in the world and make a positive overall impact on both Las Vegas and Reno. Konami just doubled the size of its presence in Las Vegas. Aristocrat's biggest base outside of its Australian headquarters is here. Ainsworth is building a large new complex in Las Vegas. Everi and a long list of other gaming suppliers also call Nevada home. It's not just the slot and table companies, and if you pause and ponder all of the goods, services and technologies that a casino operation needs, those are AGEM members and your business partners and associates. It all adds up to the suppliers showing their collective commitment to ensuring that Nevada remains the intellectual capital of the global gaming industry.

That status promises to grow as Nevada has once again led the way, this time with Senate Bill 9 and the approval of variable-payback slots that will bring skill-based and arcade-style elements to the casino floor for the first time. Our thanks to the Gaming Control Board, the Commission and casino operators for the cooperative efforts that produced new regulations and technical standards covering this exciting new form of gaming. Early indications show that other states will adopt the Nevada model as well. We, of course, hope that the Nevada blueprint will work its way to regulated jurisdictions all over the world. New Jersey has been promoting its willingness to go from game submission to the casino floor in 14 days, a progressive concept that deserves consideration elsewhere, but ultimately, the first pass of New Jersey regulatory language specifically targeting skill-based or hybrid games also mirrors Nevada's language. With the technical standards in Nevada just finalized 20 days ago on February 15, the suppliers — traditional slot companies and upstarts alike — can now prepare and submit applications to present their games for official review and approval. The ultimate rollout of this new form of entertainment will take some time given the Board's internal game testing requirements. AGEM is hopeful that the first of these skill and hybrid games would appear in field trials on casino floors by early this summer. Player reaction to the games will be the key and will drive casino acceptance of this product. For these reasons, we won't see the true impact for several years, but I firmly believe that we will look back on the passage of SB9 as a groundbreaking event that changed gaming and pushed the industry into a needed new direction.

It's important to note that our work is not finished and that player reaction to the new games is the great unknown. We look forward to continuing to work with our customers, the casino operators, to solve their business needs and welcome new players who are attracted to games and the wagering experience but not necessarily to the one-armed bandit. The Board and Commission's willingness to listen to input from suppliers and operators will be crucial, and the regulations and technical standards should evolve just as the creativity offered up by the suppliers needs to match player demands. In this era of new and changing technology in all aspects of our lives, to regulate based on the gaming landscape when it was just Nevada and Atlantic City will not drive Nevada or any other market forward and will not attract new development to Nevada despite the Governor's welcomed "open for business" mandate. This message is true for independent test labs, other state labs and tribal gaming authorities as well. In short, collaboration will be the key and will continue to serve this state and our industry well.

In closing, there are some who have been vocal recently about what they feel is a lack of innovation from the suppliers, but those of us who have been around since the beginning of the riverboat era know that that is simply not true. The level of innovation has actually been extraordinary and the growth in global gaming revenue consistent, but that innovation has always been presented within the confines of regulatory limitations that affect our entertainment offerings like no other industry. Those one-armed bandits and their millions of captivating iterations sure have served the industry well, but by being open to the idea of expanding those regulatory boundaries to account for changing technology and consumer preferences, Nevada is indeed leading the way. And on behalf of AGEM and our members, we thank you.