

**From:** Steve Old <Steve@tha.asn.au>  
**Sent:** Friday, 9 December 2016 3:03 PM  
**To:** fgm  
**Cc:** Steve Old  
**Subject:** Tasmanian Hospitality Association (THA) submission to 'Future Gaming Markets'  
**Attachments:** THA Submission to Select Committee 9DEC16.doc; THASummary.pdf

Please see attached two (2) documents from the THA for the attention of the "Joint Select Committee on Future Gaming Markets"

Thank You

Steve Old

Steve Old  
General Manager



## Tasmanian Hospitality Association

*The Tasmanian Hospitality Association is the peak industry body for hotels, accommodation, restaurants, cafes & catering and clubs in Tasmania.*



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9th December 2016

The Secretary  
Joint Select Committee on Future Gaming Markets  
Legislative Council  
Parliament House  
HOBART 7000

E-mail to [fgm@parliament.tas.gov.au](mailto:fgm@parliament.tas.gov.au)

Thank you for the opportunity to provide the following submission on behalf of the Tasmanian Hospitality Association (THA) and our members.

The Tasmanian Hospitality Association (THA) is the peak industry body for 'Hospitality' in Tasmania.

The THA has an MOU with the current State Government that recognises the association as the representative body for industry related issues such as gaming.

The THA represents more than 430 venues throughout the state and as an association, we have been servicing the needs of the industry for more than 175 years.

The THA is the only representative body in the state that actively engages in the gaming space and lobbies continually for the venue owners and operators that chose to have Electronic Gaming Machines (EGM's) in their venues.

The THA is made up of the following internal divisions: -

- The Australian Hotels Association (AHA) Tasmanian Branch;
- The Restaurant, Cafes and Catering Association (RCA) Tasmanian Branch;
- Tourism Accommodation Australia (TAA); and
- Clubs Tasmania.

Of the current 96 venues that operate EGM's in Tasmania, the THA has 74 as current members of the association (as at the date of writing this submission)

The THA is the Tasmanian Branch of the Australian Hotels Association (AHA) National body that represents the interest of the state branches at a Federal Government level.

From the outset, we would like to make it clear that any form of gaming in a licensed venue in Tasmania is firstly a commercial decision by the owner and that is their choice, and secondly, gaming in any venue forms one part of the entertainment offering of the venue, along with bar, food, accommodation and the list goes on. For a person to enter a venue to play a gaming machine or another form of gambling, they must make a dedicated decision to enter the premise and then move into the gaming only area.

The THA believes the best way to provide evidence to this committee was to get a highly respected and independent gaming analyst to provide a well-researched and thorough report based on other state regulatory models around the operation of gaming machines across Australia.

It is obvious from available information that Tasmania is arguably the most regulated gaming jurisdiction in the country and has one of the lowest levels of problem gambling in the country (based on the latest data available).

Tasmania is also the only Australian state that has a 'middle player' between the government and the venue operator. The pros and cons of such a structure is thoroughly analysed within this report.

It is clear from the independent report we had commissioned that moving to a model where there are only two (2) parties involved in the running of machines (the Government and the operator), does not increase the incidence of problem gambling. In fact, in Victoria it showed that the level remained unchanged but the number of problem gamblers who played gaming machines dropped by 27%.

Harm minimisation is always at the fore-front of discussions and decision making within our industry in Tasmania and we believe that moving forward this must remain intact. What needs to be remembered in this discussion is that harm minimisation and the responsible conduct of gaming within venues is fully controlled and maintained by the venue operator and their staff. So any move to a model such as Victoria will not have any negative impact on harm minimisation or problem gambling in our state (based on Victorian experience).

The government has made it clear that the level of machines will remain the same in Tasmania moving forward from 2023 as at the numbers that were in place on 17<sup>th</sup> March 2016. As an industry, we support this decision.

From the evidence available out of Victoria and contained in our report, the move to direct venue ownership of machines saw a significant increase in investment in hospitality infrastructure. Coming off a previous three (3) year average of \$365 million p.a it immediately jumped to \$662 million in 2012. As we know in Tasmania, we rely heavily on the tourism market and we must continue to invest and upgrade our hospitality properties to maintain the strong Tasmanian Brand, keep up with the latest trends and offerings around the world, as well as continually strive to meet market demands. Those venues that choose to have gaming, use that income to upgrade and invest in not only their properties but by employing more Tasmanians. The number of Tasmanians employed in a venue that has gaming is nearly double that of a venue without gaming.

The THA believes in respect to taxation that a sliding scale should be in place to allow smaller venues to operate profitably, many in regional areas of the state, and allow them to invest more in their properties and employ more people in our regions, which currently is a real struggle in all industries.

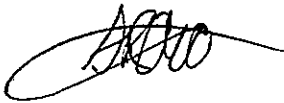
The current Community Support Levy (CSL) should continue to be in place but there is an opportunity to further grow that fund and allow even more money to go into sporting and community clubs in Tasmania who are doing it tough and also more for the provision into research, services and treatment into gambling. Currently the CSL is widely accessed by local councils, community and sporting clubs, and many other people and groups around the state but little to no publicity is put into where that money comes from. It is obvious from conversations I have had with local government officials and Alderman around the state is they have little to no idea where the funds for the CSL come from. We believe strongly that this needs to change. Many years ago when the CSL was first introduced, every letter that went out detailing funding from the CSL stated where the funds come from (I.e Gaming). This should be re-implemented as a minimum. We are keen to discuss this in more detail with the committee.

For the industry to have confidence and invest in their venues and staff, the tenure of entitlement under any new structure needs to be perpetuity. The hospitality industry, like many, has come under increasing financial pressure from banks and lending institutions and for the industry to grow and invest, they need confidence of a long-term, sustainable model that allows the operator to invest and employ. Such models are already in place in South Australia, NSW and Queensland.

Finally, we hear from a small minority that EGM's (Gaming machines) should only be available in casinos. Why should people have to travel to a casino (2 in the state) to play an EGM. Licensed venues that choose to have EGM's have to abide by a strict code of practice and are continually monitored and evaluated against industry standards. Responsible Conduct of Gaming (RCG) training and a gaming license must be completed and gained by any staff member who wishes to work in a gaming area. Local venues are in the best position to identify locals who gamble in their venues and apply the correct monitoring and checking of their activities. It is also evidenced in our independent report that Tasmanians spend a larger share of their household income on the states 2 casinos than is the case in NSW, Queensland and Victoria.

The THA as the representative body for gaming machine operators in Tasmania welcomes the opportunity to submit the attached report and we would welcome the opportunity to meet with the Select Committee should you seek further information or input.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Old', with a large, sweeping flourish extending to the left.

Steve Old  
General Manager





# TASMANIAN GAMING REVIEW

## ABSTRACT

The Tasmanian Government has called for submissions from the industry and interested parties as it seeks to assess the future industry structure and regulatory regime beyond the current License period for Network Gaming in the state of Tasmania. Owen Gaming Research has been commissioned by the Tasmanian Hospitality Association (THA) to provide an independent analysis of the varying state regulatory models around the operation of gaming machines across Australia.

This short report is a summary of our larger report which has been provided to the THA for their exclusive use.

**Jennifer Owen**

Owen Gaming Research

## Executive Summary

Tasmania is now the only Australian state in which a licensed operator owns machines and places them into hotel and club venues. This operator is also the operator of the state's two casinos.

We evaluated the incidence of social harm in Tasmania, under its current model, with the incidence from other states. We found that the incidence is low, at 0.5% of the population and has fallen from 0.7% at 2011. However, we found other states with much larger machine populations had similarly low measured levels of problem gambling, particularly in Queensland, at 0.48%, and South Australia, at 0.6%.

We also analysed the change in incidence of social harm in Victoria before and after the transition from an Operator model to one of venue ownership. In Victoria, the overall incidence of problem gambling remained unchanged, at 0.81% in 2014, flat on 2008. But, the number of problem gamblers who played gaming machines dropped materially, from 91% to 66%, a drop of 27%, while betting on sports and racing by problem gamblers increased materially after the transition.

The schemes in other states which raise funds for community benefits were also compared to the Tasmanian scheme, which raised \$4.6m in 2015. Victoria raised \$96m in its Community Support Fund, from an 8.33% Levy on hotel Gaming revenues in 2015. Queensland raised \$51.9m in its Gambling Community Benefit Fund and \$59.6m in its hotels Health Services Levy in the same year. NSW does not have a separate CSF, but allocates 0.4% of club gaming profits to fund community projects, which saw \$13.5m directed to projects in 2015.

Tasmanians spend much less of their household disposable income (HDI) on gaming in venues than is the case in other states, spending 0.56% of HDI, compared to a range of

1.01-1.56% in the larger states. However, Tasmanians spend a larger share of their household income on the state's 2 casinos (at 0.46%) than is the case in NSW (0.22%), Queensland (0.24%) and Victoria (0.43%).

The current 3-way split of gaming revenues, between venue/operator/state, has an impact on investment and employment in the hospitality sector. Tasmanian hotels with gaming employ an average of 21 people, compared to an average of 12 people in non-gaming venues.

In Victoria, the move to direct venue ownership saw a significant increase in investment in hospitality infrastructure. Investment in 2012 was \$662m, compared to an average investment of \$365m p.a. over the three previous years.

Entitlement trading schemes were compared. The preferred from a venue standpoint is a perpetual entitlement, to facilitate access to financing to allow for venue upgrades. Trading schemes are common, and when operating in conjunction with social impact assessments, allow the market to reflect changing population trends in the community over time.

With respect to taxation, all states other than Tasmania operate progressive schemes, which allow smaller venues to operate profitably and which better capture a community contribution from the profits being earned by larger venues and in more populous areas.

It is likely that the retention of the current industry structure will see little new value being unlocked, as no incentive, nor financial capacity, to invest in improved hospitality venues across the state will be created. Alternatively, if a venue-owner model is chosen, the increased value captured directly by venues and the state will allow greater investment in hospitality, tourism and construction within the state.

## Social Harm

Despite Network Gaming owning the machines and placing them into venues in Tasmania, it is our understanding that monitoring usage and frequency of play, and providing the initial identification and advice to players for support groups, is the responsibility of the venues in Tasmania.

The third review of the social and economic impact study of gambling in Tasmania was published in November 2015, and found that the incidence of problem gambling as measured by surveys conducted in 2013 had fallen to 0.5% of the population, from 0.7% in 2011.

Moderate risk gamblers remained unchanged at 1.8% of the population, low risk gamblers had fallen to 3.9% from 5.3% two years earlier. Participation rates had fallen over the two years, and 38.8% of the population did not gamble, up from 34.8% in 2011.

The rate of problem gamblers as percent of the population of 0.5% is similar to that in Queensland, at 0.48%, where significantly more EGMs are available throughout communities, and venue limits are higher. The percentage of the population which does not gamble at all is the highest in Tasmania, at 38.8%, and has increased since 2011.

Figure 1: Identified Problem Gamblers as % of Population



Figure 2: Incidence of Problem Gambling



Source: Third Social and Economic Impact Study of Gambling in Tasmania, ACIL Allen Consulting, November 2015, Victorian Responsible Gambling Foundation

## Evidence of Impact on Problem Gambling from a Change to Industry Structure

The Victorian market is of interest as it transitioned from an operator-owned model to a venue-owned model in August 2012. The Victorian Responsible Gambling Foundation undertook a gambling prevalence study in 2014 to evaluate changes in the incidence of problem gambling since 2008, the date at which the previous study had been conducted, and a point when the gaming machines in venues were owned by TABCORP and Tatts



Group, in a similar structure to that which prevails in Tasmania currently.

The key findings were:

- The incidence of problem gambling remained unchanged, at 0.81%, after the move to venue ownership of EGMs,
- However, the percentage of problem gamblers who played gaming machines fell dramatically, from 91% of problem gamblers to 66.6%. Sports and race betting grew materially to 45.2% and 52.5% respectively.

Figure 3: Victorian Gambling Prevalence: 2008 vs 2014

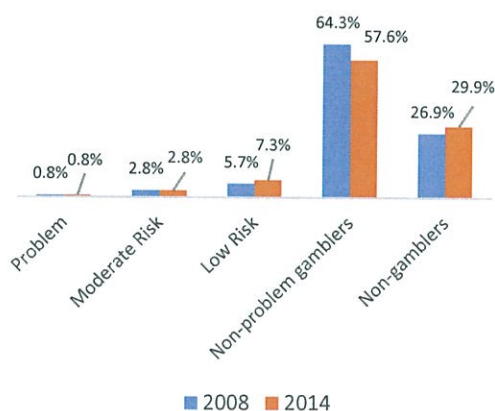
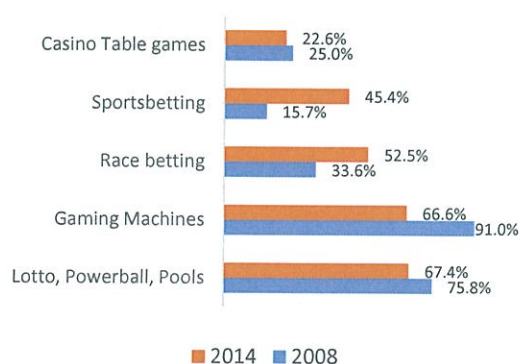


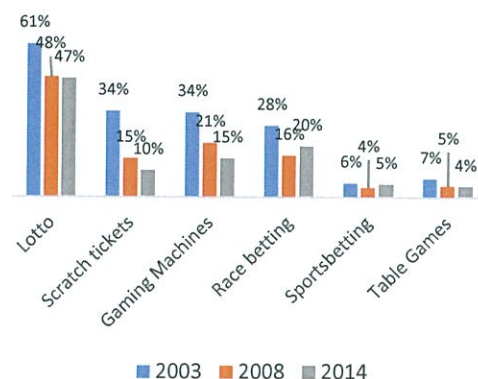
Figure 4: Participation in Main Types of Gambling Activity by Problem Gamblers



- Participation in play on gaming machines by all gamblers had fallen from 21% in

2008 to 15% in 2014, after the move to direct venue ownership.

Figure 5: Participation in Activity in Vic - Last 12 months



Figs 3-5 Source: Hare, S. (2015) Study of Gambling and Health in Victoria: findings from the Victorian prevalence study 2014 Victoria, Australia: Victorian Responsible Gambling Foundation and Victorian Department of Justice and Regulation

## Community Benefit Schemes

In most states, a portion of the revenues earned from EGMs is either subject to a Community Benefit levy or must be directed towards community grants.

In Tasmania, 4% of all EGM revenues are contributed as a Community Support Levy. Funds from the Community Support Levy are held in trust by the Department of Treasury and Finance and administered by the Department of Health and Human Services through the Gambling Support Program.

Funds are distributed as follows:

- 25% for the benefit of sports and recreation clubs
- 25% for the benefit of charitable organisations



- 50% for the benefit of research, services and raising awareness in problem gambling.

In 2014-15, \$4,579,900 was paid into the CSL trust fund.

#### *Schemes in Other States*

##### *Victoria*

Victoria has established the Community Support Fund. The CSF is funded by a portion of gaming revenues from all hotels which operate EGMs in the state.

One day's revenue for 1 September each year is paid to the Victorian Veterans Fund, and the remaining funds are allocated to a range of government departments to support programs and projects in the community.

In 2014-15, The CSF received \$96m in revenue from gaming machines in hotels. The CSF funds are distributed to various government departments to fund programs.

In addition to the funds raised from hotels through the CSF, Clubs are required to provide an annual Community Benefit Statement that shows they have contributed 8.33% of the venue's gaming revenues as a community benefit each financial year. In 2014-15, the total value of amounts claimed as being raised for community benefit was \$287.18m, however most this total was expended on operational and financial costs associated with running the clubs themselves, rather than the wider community. \$66m of the money claimed

was expended on external community services.

##### *New South Wales*

No Community benefit levy is applied to hotel gaming in NSW.

Clubs with annual gaming machine profits more than \$1m are allowed a rebate on taxes paid up to 1.85% if they demonstrate that they have spent this amount or more on community development and support services. The Scheme is called the ClubGRANTS Scheme and Clubs NSW claims that more than \$100m was provided to various community groups, charities and sporting organisations in 2014-15.

A further category of community funding is provided by the NSW government out of taxes raised from gaming machines in clubs, at the rate of 0.4% of a clubs gaming profits more than \$1m. In 2014-15, \$13.5m was allocated by the state to a range of community projects from this funding.

##### *Queensland*

The Queensland government allocates a portion of the tax revenues raised from all gambling operators (gaming machines, casinos, wagering and lotteries and keno) to the Gambling Community Benefit Fund. In 2014-15, \$51.9m was paid out of the fund to finance a variety of causes. In total 2,347 applications were funded in that year.

Hotels pay a health services levy, and the levy escalates based on the monthly gaming win in

each hotel. In 2014-15, the Health Services Levy raised \$59.6m. This is in addition to the \$647.3m in gaming machine taxes raised.

Table 1: Queensland Hotels Health Services Levy Rates

Monthly Taxable Metered Win	Health Services Levy
\$0 to \$100,000	Nil
\$100,001 to \$140,000	3.5%
\$140,001 to \$180,000	5.5%
\$180,001 to \$220,000	7.5%
\$220,001 to \$260,000	13.5%
>\$260,000	20.0%

Source: Queensland Department of Justice

In addition, clubs with 51 or more EGMs must submit a Community Benefit Statement annually to outline the contributions to charitable, sporting, recreational and other community purposes and initiatives. In 2014, the total of all cash and non-cash benefits provided by clubs was \$49.9m.

#### South Australia

In South Australia, hotels, clubs and the casino must also contribute to the Gamblers Rehabilitation Fund. In 2014, \$6.0m was applied to the fund. Clubs and hotel contributions are made from Independent Gaming Corporation, the club and hotel joint venture which holds the monitoring license in the state.

IGC is a non-profit company funded entirely by hotel and club gaming venues through a weekly monitoring fee which is approved by the Treasurer of South Australia annually. As part of its social responsibility, IGC contributes

\$2,000,000 annually to the Gambler's Rehabilitation Fund which assists problem gamblers and a further contribution of \$760,000 per annum to various charities and community service groups.

#### Economic Impact of Direct Ownership Model

##### Trends in Spending

Per-capita spending on gaming machines in hotel and club venues in Tasmania is significantly lower than in the other states. Spending per adult is \$278, compared to a range of \$554 to \$557 in Victoria, South Australia and Queensland, and \$934 in NSW.

Conversely, per-capita casino spending is significantly higher in Tasmania. Spending per adult at casinos in Tasmania is \$277 per adult, and outpaces the value in NSW, Qld and SA.

Figure 6: Per-Capita Gaming Machine Spending

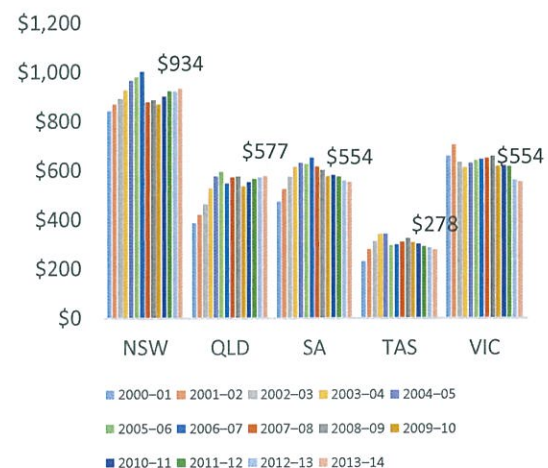
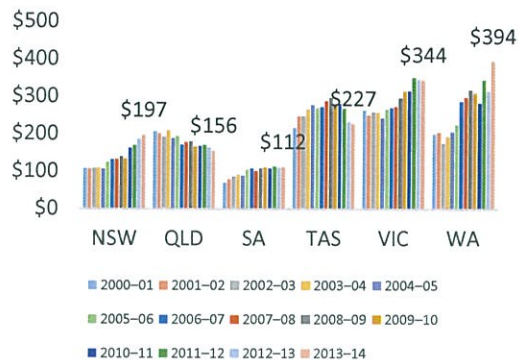




Figure 7: Per-Capita Casino Spending



Source: Queensland Treasury, AGS

A more useful measure of spending is that based on percentage of household disposable income (HDI), as it better reflects the share of wallet in each state that goes on gaming machines and adjusts for the different income levels across states. Tasmanian residents spend significantly less of their HDI on gaming machines than residents of other states. Thus, the lower spending per-capita is not just a function of lower incomes, but also low propensity to gamble on EGMs. Despite the low spending on EGMs in venues, casino spending is higher than many other states.

Figure 8: Gaming Machine and Casino Spending as % of Household Disposable Income



Source: Queensland Treasury, AGS

## Employment Impacts

The low level of spending in Tasmanian hotels and clubs has an impact on investment in hospitality in the state. A 2009 study found that hotel venues in Tasmania employ 30.6 staff on average, and that venues with EGMs employ more staff than those without EGMs. In Tasmania, the full time equivalent number of staff employed by hotels with EGMs was 21, but those without EGMs employed almost half the number of staff, at 12.2 full time equivalent people.

Figure 9: Average number of employees per hotel in Australian states (2009)



Figure 10: Employment at Hotels in Australian states and EGM Operation (FTE)



Source: PWC, More than a Drink and a Flutter, 2009

The hospitality industry is a large employer in most states, although the workforce has become increasingly “casualised” over the past two decades. Accommodation and Hospitality services employ 7.8% of all working Tasmanians, the highest across all states. Tasmania has the highest rate of part-time employment in the Accommodation and Hospitality industry of all the states, at 65.9%, creating more uncertain outlook for those people. The rate has risen from 57.3% in 1996.

Figure 11: Percentage of Total State Employment in Accommodation and Hospitality at May-2016



Figure 12: Percent of Hospitality Workforce which is part-time in all States



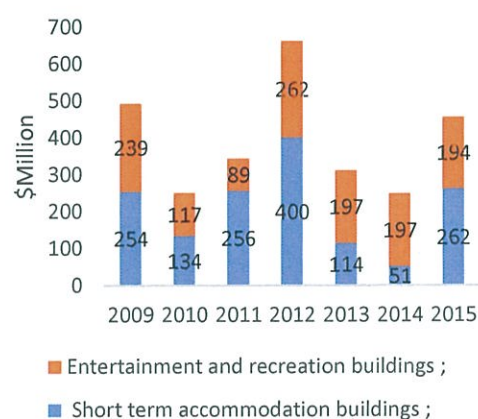
Source: ABS

## Building Activity from Transition to Venue Ownership of EGMs

The transition to a venue-owner model in Victoria from August 2012 saw a significant increase in construction in short-term accommodation and entertainment and recreation building construction.

Investment in 2012 was \$662m, compared average investment of \$365m p.a. over the three previous years.

Figure 13: Building Construction in Victoria



Source: ABS series 8752.0 - Building Activity, Australia

## Entitlement Trading Schemes

Allowing the market to place a value on EGM entitlements, and administering the mechanism by which they are bought and sold, allows greater control over the placement of machines. In the case where the state takes a share of the auction value, the community shares in the commercial value attributed to the licenses.

Social Impact Assessments, where the number of machines within an LGA will increase, allow for greater transparency around machine placement and better management of the



social consequences of EGMs in less affluent areas.

Victoria, South Australia and Queensland now operate entitlement trading schemes, where venues must purchase entitlements to operate a gaming machines through government-run tenders. Full details are provided in the Appendix to this document.

- South Australia operates periodic tenders, with the aim to reduce the number of gaming machine entitlements over time to 13,081, inclusive of the casinos EGMs. Blocks of 4 entitlements are pooled, one is cancelled and 3 are bought. Thus, the buyer pays a 33% premium per entitlement.
- Queensland runs a tender scheme periodically, and take a 33% margin on the sale price of hotel entitlements, and a small fee for club entitlements through the process. Since inception, the tender process has raised \$201.7m for the Community Fund, with \$197.3m raised from sales of hotel entitlements and \$4.4m from sales of club entitlements.
- Victoria sold entitlements for commencement in August 2012, but these were for 10 year terms, and the process was widely criticised as it failed to maximise sale proceeds, and to enable venues other than incumbents to participate equally. The industry paid \$980m in total for entitlements for the right to own the machines for 10 years,

however the Auditor General estimated their true value was in the range of \$3.7bn to \$4.5bn.

- In NSW, hotel and club entitlements are traded in the private market, but hotel entitlements have a forfeit of 1 for 3 if traded outside the same local government area. The value of NSW hotel entitlements is c.\$150k per active EGM.

### Taxation

Gaming taxes and levies generated \$34m in 2015 for the state of Tasmania, significantly less than interstate peers.

Figure 14: EGM Revenues and Taxes (\$M) in 2015

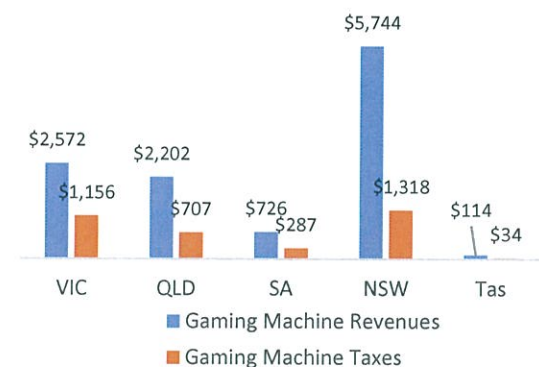
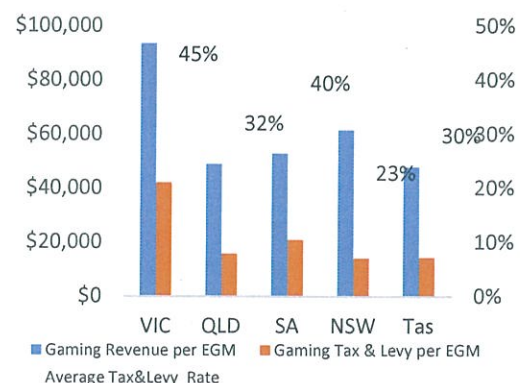


Figure 15: Per-EGM Revenues & Taxes and Average Rates



Source: State Treasury Financial Reports

As Figure 15 above shows, average total taxes and levies are 30%, higher than NSW (23%), on-par with Queensland (32%), but lower than South Australia (40%) and Victoria (45%).

#### Effective Tax Rates

Most states have tiered taxation systems, and most also levy higher taxes on hotels than clubs. Certain states also impose special levies on gaming machine profits. All jurisdictions, other than NSW, require taxes to be paid monthly. NSW allows quarterly payments.

Tasmania is now the only state in which an operator intervenes between the venues and the government, and has the exclusive right to own all gaming machines in venues. The presence of the operator splits the returns made by venues and the state.

Until 2012, Victoria had operated a similar model to that in Tasmania, with two operators holding exclusive ownership rights, but this arrangement ended in August 2012, and thus, tax rates were amended. The previous flat tax of 33% on revenues and a hotel levy of 8.33% was abolished and a scaled tax regime was introduced.

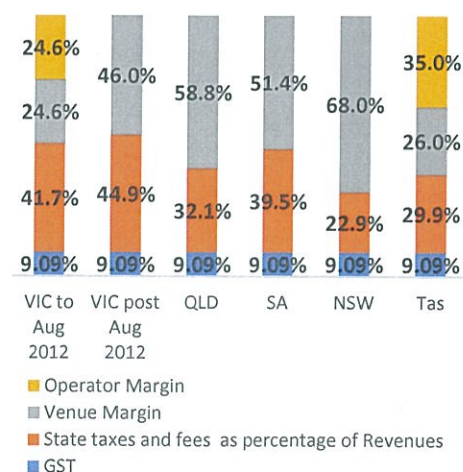
The scaled regime allowed for zero tax for clubs and 8.33% Health Services levy for hotels only for gaming machines with an average profit per machine per month of \$2,666 or less, and progressively higher rates for venues with higher monthly profits.

Thus, for some venues with the maximum of 105 machines, it was possible to earn up to

\$3.359m in annual gaming revenues and pay little or no tax. Tax rates above this level were increased significantly, with the intention of the government to capture a similar quantum of taxation revenues as had been collected under the previous ownership regime, but granting greater relief to smaller venues.

The “squeeze” on venues and states in Tasmania, due to the existence of operator model is evident in the chart below. The 35% taken by the Operator results in lower shares to both the state and the venues. Venues who provide gaming in Tasmania take an average of 26% of revenues, compared to a range of 46% to 68% in the other states. This has clear implications for their ability to employ staff and re-invest in their venues to provide enhanced hospitality facilities.

Figure 16: Revenue Share of Governments, Venues and Operators



Source: State Treasury Financial Reports



## Appendix A: Entitlement Trading Schemes

Table 2: Trading Systems for Licenses and Permits

	South Australia	NSW	Victoria	Queensland
<b>Name of scheme</b>	Approved Trading System	N/A	Entitlement Transfer Market	Two Schemes operate, one for clubs and one for hotels
<b>Entitlements</b>	One entitlement = right to operate one EGM	One entitlement = right to operate one EGM	One entitlement = right to operate one EGM	One entitlement = right to operate one EGM
<b>State Wide Cap</b>	Target = 13081, inclusive of casino entitlements of up to 1500 EGMs	Target = 97,500 for clubs and hotels	Target = 27,000 for clubs and hotels	Clubs cap = 24,705. Can trade entitlements across state. Hotels cap = 19,320, may only trade entitlements within the LGA of the seller
<b>Tenure of Entitlement</b>	Perpetual	Perpetual	10 years	Perpetual
<b>Operation of scheme</b>	Of every 4 entitlements sold, one entitlement is cancelled	Of every 3 hotel entitlements sold, one entitlement is cancelled if outside the same local government area as the transferring hotel.	Entitlements are for 10 years, and were traded at August 2012.	33% of sale price of hotel entitlements paid to state. Proceeds of sale, less an administration fee, is paid to the state on club entitlements sold.
<b>Pricing</b>	Tender dates are set by State Government. Buyers and sellers submit bids, based lowest sale price and highest purchase price each would pay respectively. On tender date, bids and offers are matched through a clearing house mechanism.	Initially auctioned to hotels in 1998 for a cost of \$50,000 each. Now the hotel trading scheme is market based, with no payment to government. Clubs do not pay for the issuance of entitlements.	Market based, tradeable at any time	Tender dates and minimum prices are set by Public Trustee. Minimum prices are not disclosed. Tender operates on market based bids. Those above the minimum price set are awarded from highest tender to lowest.
<b>Current pricing</b>	In the latest Round, Purchasers paid \$34k, sellers received \$27k <sup>1</sup> .	Recent advertised prices for single country entitlements at \$155,000 + GST, Country to City Block of \$365,000 + GST <sup>2</sup>	"Arm's Length" transactions, c\$30 for hotels and \$5k for clubs. Many transactions are between related parties and the sale prices not necessarily reflective of fair market value. <sup>3</sup>	Last tender for hotels saw South East \$120,746, Coastal \$65,742 and Western \$52,553. Community Fund contribution was \$812,116. Last club EGM tender was 27th April 2016, average price was \$5,372. Contribution to Community Fund was \$1,255,036. <sup>4</sup>
<b>Social Impact Assessments</b>	Social Effect Inquiry may be required, depending on increase sought and at the Commission's discretion.	Required for most new or additional EGMs	Economic and Social Impact Assessment required for new premises. Caps apply for each district in the state. Transfers within districts allowed. Every venue must lodge a Community Benefit Statement annually.	Community Impact Statement required for all new venues, and for hotel EGM increases of 10 or more, and club EGM increase of 20 or more

<sup>1</sup> [http://www.cbs.sa.gov.au/assets/files/results\\_notice\\_trading\\_round\\_11\\_2015.pdf](http://www.cbs.sa.gov.au/assets/files/results_notice_trading_round_11_2015.pdf)

<sup>2</sup> <http://www.nswcitycountrybrokers.com.au/poker-machine-entitlements>

<sup>3</sup> <https://www.vcgr.vic.gov.au/CA256F800017E8D4/VCGLR/7090FF984EA593DDCA257B3200774DA8?OpenDocument>

<sup>4</sup> <https://www.business.qld.gov.au/industry/liquor-gaming/gaming/electronic-gaming-machines/licensing/entitlements-clubs>

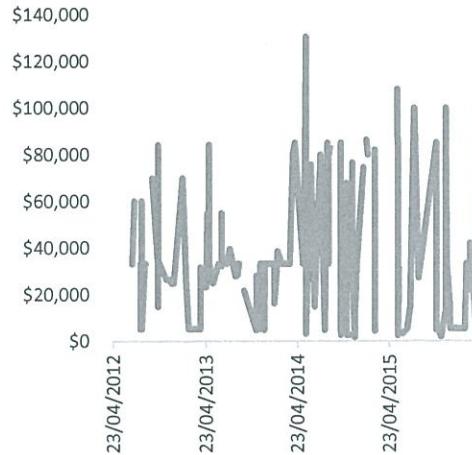
## Gaming Machine Entitlement Tender Trends

The average price for Victorian entitlement since 1 September 2012 is \$41,063.

The most recent hotel tender in March 2016 in Queensland saw average prices of \$120k in the south-eastern region, \$65k in the coastal region, and \$52k in the western region. The price for club entitlements is much lower, generally around \$5k.

In South Australia, the average price was \$34k for buyers and \$27k for sellers in the most recent tender round, in May 2016. The decline in prices is consistent with falling revenues in that state.

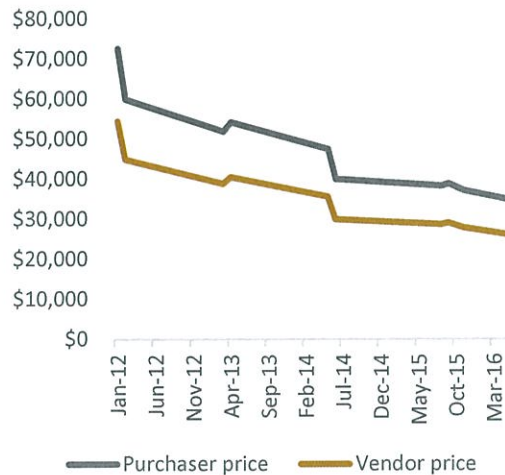
Victorian Average EGM Entitlement Price



Qld Average EGM Entitlement Price by Region



South Australian Average EGM Entitlement Price



Source: State Regulatory Agencies



## Appendix B: States Tax Regimes

Table 3: Club Gaming Tax Rates

Clubs	NSW		QLD		SA		TAS		VIC	
<b>Tiered Tax</b>	Yes		Yes		Yes		No		Yes	
	Thresholds	Tax rate	Thresholds	Tax rate	Thresholds	Tax rate	Thresholds	Tax rate	Thresholds	Tax rate
<b>Revenue:</b>	Year		Month		Year		N/A			
	<\$200k	0.00%	<9.5k	0.00%	<\$75k	0.00%	>\$0	25.88%	<\$2.6k	0.00%
	\$200k-\$1m	10.00%	\$9.5k-\$75k	17.91%	\$75k-\$399k	21.00%			\$2.6k-\$12.5k	46.70%
	\$1m-\$5m	19.90%	\$75k-\$150k	20.91%	\$399k-\$945k	28.50%			>\$12.5k	54.20%
	\$5m-\$10m	24.40%	\$150k-\$300k	23.91%	\$945k-\$1.5m	30.91%				
	\$10m-\$20m	26.40%	\$300k-\$850k	25.91%	\$1.5m-\$2.5m	37.50%				
	>\$20m	28.40%	\$850k-\$1.4m	30.91%	\$2.5m-\$3.5m	47.00%				
			>\$1.4m	35.00%	>\$3.5m	55.00%				
<b>Special Levy</b>	ClubGRANTS rebate	Reduction in Tax								
	Category 1	-0.75%								
	Category 2	-1.10%								
	Category 3	-0.40%								
	GST Rebate	First \$200k of profits								
Hotels	NSW		QLD		SA		TAS		VIC	
<b>Tiered Tax</b>	Yes	Tax rate	No	Tax rate	Yes	Tax rate	No	Tax rate	Yes	Tax rate
<b>Based on Revenue per:</b>	Year		Month		Year		N/A		Month per machine	
	<\$200k	0.00%	>\$0	35.00%	<\$75k	0.00%	>\$0	25.88%	<\$2.6k	8.33%
	\$200k-\$1m	33.00%			\$75k-\$399k	27.50%			\$2.6k-\$12.5k	55.03%
	\$1m-\$5m	36.00%			\$399k-\$945k	37.00%			>\$12.5k	62.53%
	>\$5m	50.00%			\$945k-\$1.5m	40.91%				
					\$1.5m-\$2.5m	47.50%				
					\$2.5m-\$3.5m	57.00%				
					>\$3.5m	65.00%				
<b>Special Levy</b>	No		Health Services Fund	Levy	No		Community Support Levy	4.00%		
			Monthly threshold							
			<\$100k	0.00%						
			\$100k-\$140k	3.50%						
			\$140k-\$180k	5.50%						
			\$180k-\$220k	7.50%						
			\$220k-\$260k	13.50%						
			>\$260k	20.00%						
<b>Payment Basis</b>	Quarterly		Monthly		Monthly		Monthly		Monthly	

Source: NSW Treasury