

Evaluation of the 2018 Gaming Machine Reforms

Discussion Paper, August 2021

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About the evaluation

The NSW Government is evaluating the gaming machine reforms introduced in 2018 as part of the *Gaming Machines Amendment (Leasing & Assessment) Act 2018*. These reforms involved amendments to the *Gaming Machines Act 2001*, Gaming Machines Regulation 2010, and the *Casino Control Act 1992*.

The aim of the evaluation is to assess the extent to which the gaming machine reforms have met their stated objectives (outlined on page 4 of this discussion paper).

Next steps

Liquor & Gaming NSW (L&GNSW) will assess stakeholder feedback received in response to this discussion paper. It will use this feedback, along with other relevant information and data, to inform the findings and recommendations of the evaluation.

How to give feedback

You may be interested in sharing your views if you are:

- ▲ involved with the gaming industry, such as a club or hotel operator, and have an interest in the 2018 gaming machine reforms
- ▲ a government or non-government body with an interest in the reforms
- ▲ a community group or member of the public with an interest in the reforms.

L&GNSW is seeking your feedback on the 2018 gaming machine reforms until Friday 10 September 2021.

If you need to access a translating and interpreting service, please telephone 1300 651 500 or visit the Language Services page of the Multicultural NSW website:

<https://multicultural.nsw.gov.au/services/>

Written submissions

You can upload your submission to the Have Your Say NSW Government Evaluation of the 2018 Gaming Machine Reforms consultation page.

You can also e-mail a written submission to: evaluation@liquorandgaming.nsw.gov.au

Your submission will be published on the Have Your Say and L&GNSW websites after the closing date unless you request otherwise. When lodging your submission, you can request that all or part of it remain confidential. You should give a reason for requesting confidentiality.

Optional targeted questions are included on page 8 of this discussion paper to help you prepare your submission. These are the areas on which the evaluation will focus. You can choose to answer the optional targeted questions or use them to guide your submission. You can email your submission or responses to evaluation@liquorandgaming.nsw.gov.au.

Other ways to have your say

Survey of Club and Hotel Operators with Gaming Machine Entitlements (GMEs) - Club and Hotel operators with GMEs will be emailed a survey link. The survey will close on Friday 10 September 2021.

Community Survey - Community groups and/or members of the public, including people who play gaming machines, will also have an opportunity to have their say by completing an online community survey. The survey will be available to complete on the NSW Government Have Your Say consultation page and will close on Friday 10 September 2021.

Interviews with industry, government, and non-government stakeholders - L&GNSW will interview relevant stakeholders in the gambling industry and government and non-government sectors. Feedback collected through these consultations will help to inform the evaluation report.

Background

Objectives of the 2018 Gaming Machine Reforms

The overarching policy objectives of the reforms were:

- ▲ Greater transparency of decision-making, greater community awareness of decisions being made, and more opportunities for community input.
- ▲ A more localised and strategic approach to assessing the potential impact of additional gaming machines in an area
- ▲ No movement of GMEs into areas of high risk¹
- ▲ A more targeted approach to the allocation of funds generated through a Local Impact Assessment (LIA) process and the GME leasing scheme
- ▲ More guidance and direction for applicants and submitters
- ▲ More small venues choosing to go 'pokie-free'
- ▲ More clubs in new development areas.

These were to be achieved through reforms to the LIA scheme and the introduction of the GME leasing scheme outlined below.

1. LIA scheme changes

The LIA scheme commenced in 2009 and is used to assess the likely impact of introducing additional gaming machines into a local community.

Since March 2018, the LIA Band for each venue has been based on its Statistical Area 2 (SA2)² profile. The ranking of SA2s is based on an aggregated score which incorporates the Socio-Economic Indexes for Areas (SEIFA) Index of Relative Socio-Economic Disadvantage (70% weighting)³, gaming machine density (15% weighting), and per capita gaming machine expenditure (15% weighting). The top 20% of SA2s are classified as Band 3 (high risk), the next 30% as Band 2 (medium risk), and the remainder as Band 1 (low risk).

Depending on the classification of the area in which the club or hotel is located, the applicant may be required to complete an LIA when applying for an increase in the venue's gaming machine threshold (GMT). The GMT limits how many GMEs – and/or poker machine permits (PMPs) in the case of hotels – each club and hotel may have. A venue must have one GME – or PMP in the case of hotels – for each gaming machine operated. A hotel's GMT cannot exceed 30.

Venues are required to undertake either a Class 1 LIA or Class 2 LIA depending on the size of the GMT increase they are seeking, and the Band in which they are located (see Table 1).

¹ Band 3 areas, as determined by the LIA banding process.

² SA2s are medium-sized statistical areas which are smaller than LGAs, and are designed around whole gazetted suburbs or rural localities. SA2s have a population range of up to 30,000 persons with an average of 13,000 persons per NSW SA2.

³ A measure produced by the Australian Bureau of Statistics (ABS) of an area's relative socio-economic disadvantage.

Table 1 – LIA requirements based on banding and size of requested GMT increase

Band	Low range increase (up to 20)	Mid range increase (21 to 40)	High range increase (over 40)
Band 1	No LIA	Class 1 LIA	Class 2 LIA
Band 2	Class 1 LIA	Class 2 LIA	Class 2 LIA
Band 3	No additional machines can be sought through LIA process	No additional machines can be sought through LIA process	No additional machines can be sought through LIA process

In 2017, the LIA scheme was reviewed under the *Gaming Machines Act 2001* by L&GNSW⁴. As a result of this review, legislative changes were made to the scheme.

The key changes to the LIA scheme were:

- ▲ a more localised and strategic approach to assessing impact and prevention of movement of GMEs into “high-risk” areas”
 - banding by SA2, rather than the larger Local Government Areas (LGAs)
 - greater weight given to the SEIFA index in determining LIA bands
 - removal of country and metropolitan splits in determining LIA bands
 - caps on total GMEs in Band 3 areas
 - reduced proportion of areas classed as Band 3, encouraging freer movement of GMEs⁵
- ▲ greater opportunity for community input and improved transparency for the community
- ▲ financial contributions directed to the Responsible Gambling Fund (RGF) for allocation to community organisations to benefit the local community
- ▲ reduced restrictions on trading GMEs into new development areas, to encourage clubs to establish in areas that are not currently able to take advantage of the services offered by clubs.

2. Introduction of the GME leasing scheme

As part of legislative changes introduced under the *Gaming Machines Amendment (Leasing and Assessment) Bill 2018*, the Government announced a GME leasing scheme in March 2018.

⁴ Liquor & Gaming NSW 2017, *Local Impact Assessment Review Report*, accessed 21 April 2021, <<https://www.liquorandgaming.nsw.gov.au/documents/reports/local-impact-assessment-review-report.pdf>>.

⁵ For every block of 2-3 GMEs sold, 1 GME is forfeited to the Independent Liquor & Gaming Authority, decreasing the overall number of GMEs in NSW.

The scheme's features include the following:

- ▲ A small club (30 or fewer GMT) can lease GMEs to another club, and a small hotel (10 or fewer GMT) can lease to another hotel. Importantly:
 - during the lease, GMEs remain the property of the lessor venue but the lessee venue receives all revenue from their use
 - all leased GMEs are subject to requirements under the LIA scheme for the movement of GMEs.
- ▲ Venues can enter into leases for a fixed term of up to 5 years, with payments negotiated and agreed between the venues, and a standard model lease is available to facilitate this
- ▲ The lessee remains responsible for paying taxes and fees associated with operating the GMEs, allowing for on-going revenue for small venues and the opportunity to operate without gaming machines
- ▲ If a venue leases its GMEs, it is exempt from having to forfeit any GMEs to the Independent Liquor & Gaming Authority
- ▲ Introduction of a 5% levy paid to the RGF for funding gambling counselling and treatment services for the community.

Key facts and figures

LIA Scheme

- ▲ The top 20% of SA2s are allocated to band 3 (high risk), the next 30% of SA2s are allocated to band 2 (medium risk), and the bottom 50% of SA2s are allocated to band 1 (low risk).
- ▲ There are currently⁶ 1,228 venues in Band 1, who hold:
 - 25,856 active GMEs
 - 906 active PMPs
- ▲ There are currently 1,380 venues in Band 2, who hold:
 - 37,932 active GMEs
 - 802 active PMPs
- ▲ There are currently 999 venues in Band 3, who hold:
 - 30,250 active GMEs
 - 592 active PMPs.

GME Leasing Scheme

Between March 2018 and March 2021:

- ▲ 262 NSW hotels and clubs made use of the GME leasing scheme (131 Lessees and 131 Lessors)
- ▲ 576 GMEs were leased between venues
- ▲ Additionally, 1 PMP was leased between hotels
- ▲ 63 metropolitan venues and 68 country venues leased their GMEs
- ▲ 90 metropolitan venues and 41 country venues received leased GMEs.

⁶ Current as at March 2021.

Questions for stakeholder comment

You are invited to give feedback to L&GNSW on any of the questions listed below or any other issues you consider relevant. If you choose to answer the targeted questions below, provide a written submission, or would like to request an interview, you can email: evaluation@liquorandgaming.nsw.gov.au

Impact of the LIA reforms on decision making and GME forfeiture

- ▲ Have the Local Impact Assessment (LIA) banding changes⁷ assisted the Independent Liquor & Gaming Authority to identify high risk areas?
- ▲ Have the LIA banding changes helped prevent the approval of additional gaming machines in high risk areas?
- ▲ Have the reforms supported the movement of GMEs into lower risk areas?
- ▲ Have the reforms had an impact on forfeiture of GMEs?

Venue participation in, and impact of, the Gaming Machine Entitlements (GME) leasing scheme

- ▲ What factors, if any, have affected venue participation in the GME leasing scheme?
- ▲ Have the reforms made it more or less likely that venues will lease or transfer GMEs?
- ▲ Have lessor venues gained financial benefits from the GME leasing scheme?
- ▲ Have smaller venues decided to lease their GMEs and operate without gaming machines?
- ▲ Have lessor venues ceased trading during the term of the lease?
- ▲ Has the scheme had an impact on forfeiture of GMEs?

Impact of the reforms on the community

- ▲ Have the LIA reforms had an impact on community confidence and involvement in the LIA process?
- ▲ What have been the impacts, if any, of directing financial contributions from the LIA process to the Responsible Gambling Fund (RGF)? Has this change increased transparency in the allocation of financial contributions under the LIA scheme?
- ▲ What impact, if any, has the introduction of the 5% RGF levy under the GME leasing scheme had on service provision for the community?
- ▲ Have the reduced restrictions on trading GMEs into new development areas had an impact on the number of clubs in new development areas?
- ▲ Have there been any other impacts or unintended consequences of the gaming machine reforms?

⁷ Changes include increased SEIFA weighting, change from LGAs to SA2s, 20/30/50 banding split and caps on total GMEs in band 3 areas