



Gaming Machine Arrangements 2012

Statement of Outcomes II

February 2009



Information and updates on gaming machine arrangements

The *Gaming Machine Industry Bulletin* is a free email newsletter offering regular updates on the Gambling Licences Review.

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Message from the Minister for Gaming

In April 2008, the State Government made the landmark decision that Victoria's gaming industry would transition to a venue operator structure in 2012.

The new proposed gaming machine arrangements give venues direct control of their gaming operations and greater accountability to their communities. This is vital for the future of the industry.

The government released the *Gambling Regulation Further Amendment (Licensing) Bill Exposure Draft* (Exposure Draft Bill) and an Explanatory Statement in December 2008 to seek feedback on the proposed changes.

The government welcomes the submissions received. The views of industry and the community have provided important perspectives and information to help to further refine the legislation and provide information to assist in the development of regulations in 2009.

The new legislative framework will support an open and transparent competitive bidding process that will take place in early 2010. In addition, a progressive tax system will provide assistance to smaller venues with low revenues, and will deliver a tax-free threshold for clubs.

The legislation will also protect venue operators by discouraging speculative bidding and profit sharing.

It is intended that a comprehensive education and training program will be made available to assist the industry to move to the new structure. The education program, with dedicated workshops and business assistance, will begin in the first half of 2009.

The government has also decided that a single monitoring licensee will oversee the integrity of gaming machine transactions in gaming venues from 2012. The competitive awarding process for the new 10-year monitoring licence will start in early 2009.

Victoria's gaming industry has high standards of integrity. This will continue to be maintained through the extensive probity checking conducted by the Victorian Commission for Gambling Regulation.

The government continues to be committed to protecting those in the community who have a gambling problem. Victoria is leading the way in Australia with responsible gambling measures such as banning ATMs from gaming venues and introducing pre-commitment mechanisms. We recognise that all industry sectors should continue to unite in the task of minimising the harm caused by problem gambling.

Other reforms to the post 2012 gambling industry announced in April 2008 included introducing competition for the single keno and wagering and betting licences for the first time. These licence awarding processes are well underway, with the new keno and wagering and betting licences currently proposed to be awarded by the end of 2009.

The government is committed to a growing and viable racing industry in Victoria, and, in November 2008, we announced a new tax regime that will result in a 60 per cent reduction in tax revenue to benefit the racing industry and offset the loss of gaming revenue. Separate to that tax regime, a \$45 million investment in infrastructure funding was also announced for Victorian regional and rural venues. This funding will be allocated in consultation with the Victorian Racing Industry.

The next phase of the government's review will include the further development of a range of matters to support the implementation of the gaming machine and monitoring licence arrangements. There will also be further opportunities for the industry and community to comment as part of further consultation processes on the gaming machine arrangements.

Introduction

In April 2008, the State Government announced that Victoria's gaming machine industry would transition from a gaming operator structure to a venue operator structure in 2012.

The decision re-defines the gaming machine industry by giving venue operators the opportunity to own and operate gaming machines from 2012. Venue operators interested in operating a hotel or club gaming venue under the new structure will need to bid for ten-year gaming machine entitlements as part of a competitive bidding process in early 2010.

Consistent with the State's guiding principles for gambling policy (see Appendix A), the venue operator structure will provide:

- ◆ a gaming machine industry that promotes the fair and broad distribution of the financial benefits of gaming to the Victorian community
- ◆ venue operators with the flexibility to respond to consumer preferences
- ◆ for the ongoing integrity of gaming in Victoria
- ◆ for the continued promotion of responsible gambling.

The government has made a series of policy decisions regarding gaming machine arrangements under the new venue operator structure, many of which will be reflected in the *Gambling Regulation Act 2003* (the Act) subject to the passage through Parliament of the *Gambling Regulation Amendment (Licensing) Bill 2009*.

The purpose of this document is to present the most recent decisions that the government has made in relation to the new arrangements for the gaming industry.

This document provides details of:

- ◆ the new **venue operator arrangements**, including the key roles and functions and the key events leading to implementation
- ◆ **gaming machine entitlements** and the conditions for their use
- ◆ the role of **venue operators** and the eligibility requirements that must be met in order to bid for gaming machine entitlements
- ◆ the functions of the **independent Monitor** and the monitoring licensing process
- ◆ **taxation arrangements** applying to gaming operations
- ◆ **information** available to assist industry members in preparing for the new venue operator structure.

The government remains committed to an ongoing process of consultation and communication with all those sharing an interest in the future of gaming in Victoria. Details of the State's approach to communication and consultation are provided in section 10.

Gambling Licences Review

The Gambling Licences Review (the Review) was established by the government to consider options for the future of the State's gambling licences.

Following the announcement on the new gambling industry structure in April 2008 (see the document entitled *Post 2012 Regulatory Review Phase Statement of Outcomes*, available at www.justice.vic.gov.au/gamblinglicencesreview), the Review focused on developing the detail to implement the venue operator structure for gaming machines, the licence awarding process for Keno and Wagering and Betting, plus the funding for the racing industry.

In June 2008, the government invited comment on the licence awarding phase for the Keno and Wagering and Betting Licences, as well as the gaming machine arrangements. This consultation was designed to give the community and stakeholders the opportunity to share their views during this phase of the review.

The public was offered a further opportunity to comment on gaming machine arrangements under the new venue operator structure in October 2008. All submissions from the consultations are available on the Department of Justice website at www.justice.vic.gov.au/gamblinglicencesreview.

The Gambling Licences Review adheres to the highest standards of probity and the Review process is overseen by the Independent Review Panel, consisting of four members and chaired by the Honourable Ron Merkel QC, former Judge of the Federal Court.

1 Statement of Outcomes/Legislation

The government's decisions provide for the establishment of the regulatory framework for Victoria's 2012 venue operator structure. The policy outcomes will be the subject of legislative amendments. These include:

- ◆ the arrangements for gaming under the venue operator structure
- ◆ the requirements for industry participation under the new structure
- ◆ the licensing and regulation of gaming activity.

These policy decisions are reflected in the *Gambling Regulation Amendment (Licensing) Bill 2009*.

| In relation to gaming machine arrangements, the legislation will: | See section |
|--|-------------|
| New Gaming Structure | |
| ◆ introduce venue operator arrangements for gaming machines | 2 |
| ◆ define a gaming machine entitlement and the method of allocation | 3.1 & 3.3 |
| ◆ provide for the term of a venue operator's licence to be increased to ten years (currently issued for a five-year term) | 3.3.1 |
| ◆ create a new monitoring licence and provide process requirements for granting the licence | 5 |
| ◆ require venue operators to pay an annual regulatory supervision fee, to enable the VCGR to recover its costs associated with regulating the gaming industry | 2.2 |
| Entitlements | |
| ◆ provide for gaming machine entitlements to have conditions applied regarding the geographic area and venue type (i.e. licensed hotel or club) in which they can be operated | 3.1 |
| ◆ authorise the Victorian Commission for Gambling Regulation (VCGR) to amend the conditions attached to an entitlement, upon application by the entitlement holder | 3.8 |
| ◆ enable the transfer of gaming machine entitlements | 3.9 |
| ◆ provide for gaming machine entitlements to revert to the State under specific circumstances | 3.7 |
| ◆ create a disincentive for the speculative trading of entitlements, by providing for 50 per cent of the profit from transfers of entitlements between initial allocation and six months following the commencement of the new arrangements, to be paid to the State | 3.9.1 |
| Revenue and Taxation | |
| ◆ prohibit a venue operator from entering into profit sharing arrangements regarding revenue from gaming machines | 4.7 |
| ◆ establish the tax rate applicable to gaming machine revenue from 2012 | 6.2 |

| Restrictions | |
|--|-----|
| ♦ provide for no individual or organisation to hold or have an interest in more than 35 per cent (i.e. 4,812) of hotel gaming machine entitlements | 3.5 |
| ♦ prohibit the monitoring licensee from being licensed as a venue operator, offering venue management services to a venue operator, manufacturing gaming machines or providing restricted components for gaming machines | 5.1 |
| ♦ prohibit the Melbourne casino operator from acquiring hotel gaming machine entitlements or from holding the monitoring licence. | 2.1 |

Gaming Machine Arrangements to be developed

The government is continuing to finalise the complete regulatory environment for gaming machines, including:

- ♦ the competitive bidding process for gaming machine entitlements, including details of the terms and conditions
- ♦ the fine detail in relation to the transfer mechanism for gaming machine entitlements
- ♦ transition arrangements.

The government will provide further information on these issues during 2009.

2 Venue Operator Arrangements

When the State Government announced the new arrangements for the gaming machine industry, it committed to allocating gaming machine entitlements through a competitive, fair and transparent bidding process.

The principal tasks that the State will undertake to initiate the transition to the new structure are:

- ◆ the allocation of gaming machine entitlements that will allow gaming machines to be operated in approved Victorian hotels and clubs
- ◆ the grant of a single Monitoring Licence, to enable the monitoring of all gaming machines in all Victorian venues.

This section provides an overview of:

1. the role that industry will play in the new structure
2. the regulatory arrangements that will be put in place to ensure the integrity of gaming in Victoria.

For information about the key events that are part of the implementation of the new venue operator structure refer to section 12.

2.1 Key Industry Roles

The two key industry roles associated with the venue operator structure are:

- ◆ **Venue Operators**, who will acquire and operate gaming machines and are responsible for managing and operating the business themselves
- ◆ the **Monitoring Licensee**, who will monitor all gaming machines and transactions.

For further information about venue operators and the monitoring function, see sections 4 and 5 respectively.

Independence of Roles

To maintain the integrity of gaming operations the State has determined that certain key industry roles must remain independent from one another.

The **Melbourne casino operator** remains a separate licensed entity. This will not change under the new arrangements and consequently, the casino operator will not be able to hold the monitoring licence or operate gaming machines outside of the casino.

The **Monitoring Licensee** will oversee the integrity of gaming machine transactions. The Licensee cannot:

- ◆ be a venue operator
- ◆ provide venue management services for venues
- ◆ manufacture gaming machines or supply restricted components
- ◆ provide gaming machine testing services.

A **Manufacturer** of gaming machines will not be able to be:

- ◆ a venue operator
- ◆ the Monitoring Licensee.

It is an offence under the Act for a manufacturer or supplier to offer inducements for the use of their products or services. The Victorian Commission for Gambling Regulation (VCGR) will monitor and investigate any incidents of incentives offered by manufacturers or service providers to venues.

Venue operators may obtain a range of services to support the management and operation of their business, offered by third party service providers (for example, marketing and business analysis). In addition to monitoring services, the monitoring licensee may offer other services to venues, on a non-exclusive basis.

2.2 Regulation of Gaming

The VCGR is responsible for regulating gambling in Victoria, and the VCGR will continue to perform the regulatory role within the new regulatory arrangements.

The regulatory function performed by the VCGR serves to ensure that the government's policy on gambling is implemented. With respect to gaming machines, the VCGR's regulatory functions include:

- ◆ venue operator licensing
- ◆ reinforcing the government's commitment to responsible gambling through measures that assist and protect problem gamblers and those at risk of becoming problem gamblers
- ◆ ongoing review to ensure the integrity of gaming activity.

Venue operators will need to pay a Regulatory Supervision Fee to the VCGR, being a flat fee per machine and levied on an annual basis in arrears. This fee allows the VCGR to recover costs associated with regulating the gaming industry.

Further details about the regulatory function are provided in section 7.

3 Gaming Machine Entitlements

To operate gaming machines in a Victorian venue from 2012 it will be necessary for a venue operator to hold a gaming machine entitlement for each machine that it proposes to operate.

Under the authority of the *Gambling Regulation Act 2003*¹, gaming machine entitlements will be allocated to venue operators via a competitive bidding process.

The arrangements for the allocation, use and transfer of gaming machine entitlements are designed to:

- ◆ provide an opportunity for venue operators to acquire entitlements
- ◆ deter speculators from acquiring entitlements, where there is no intention to operate a gaming machine
- ◆ provide for the distribution of entitlements throughout Victoria, consistent with the government's caps and limits.

3.1 What is a Gaming Machine Entitlement?

A gaming machine entitlement provides the authority to operate a single gaming machine in an approved gaming venue in a designated region and in a designated venue type (club or hotel) for a period of 10 years from 2012.

3.2 Caps and Limits

A total of 27,500 gaming machine entitlements will be available for allocation to approved venue operators.

The current distribution arrangements for gaming machines in Victoria will continue to apply to the allocation of gaming machine entitlements for use under the new structure. These distribution arrangements are:

- ◆ no more than 50 per cent of the total entitlements will be allocated to either **clubs or hotels**
- ◆ no less than 20 per cent of the available entitlements will be allocated outside **metropolitan Melbourne**
- ◆ applying **regional caps** on gaming machines in 19 defined regions (see Appendix B), which provide that the maximum number of gaming machines permitted in each capped region must be the lower of
 - ten gaming machines per 1,000 adults or
 - the number of gaming machines per 1,000 adults at the date of the order (Ministerial Order dated 12 October 2006)
- ◆ from 2010, **municipal limits** will apply statewide, so that for all local government areas (with the exception of the CBD, Southbank and Docklands areas) there will be no more than 10 gaming machines per 1,000 adults.
- ◆ no more than 105 gaming machines can be operated in an **any one venue**.

¹ This is subject to the passage of legislative amendments.

With respect to hotels, no individual or organisation will be able to hold more than 35 per cent of the total gaming machine entitlements available to hotels (see section 3.5).

3.3 The Competitive Bidding Process

Detailed information about the competitive bidding process will be made available progressively to all interested parties during 2009, and detailed bidder training will be available to registered bidders in early 2010.

The competitive bidding process will be conducted in early 2010.

3.3.1 Bidder Requirements (Eligibility to bid)

To participate in the competitive bidding process it will be necessary to:

- a. possess a current venue operator's licence
- b. lodge a signed and completed competitive bidding terms and conditions document
- c. complete bidder training
- d. pay a default bond.

While it is not necessary to have access to an approved gaming venue (see section 4.3) to be eligible to bid, gaming machines can only be operated in an approved venue operated by the holder of the venue operator's licence.

Venue Operator's Licence

A venue operator's licence authorises the licensee to manage and operate an approved gaming venue. The VCGR, in considering an application for a venue operator's licence, assesses the suitability of the applicant to participate in Victoria's gaming industry.

Any entity proposing to bid for gaming machine entitlements must hold a venue operator's licence at the time of bidding.

Further information about the application process for a venue operator's licence is provided on the VCGR website at www.vcgr.vic.gov.au.

The new legislation will provide for the term of all existing venue operator's licences to be extended from five to ten years, to bring the licences in line with the term of gaming machine entitlements.

Applications for a venue operator's licence should be submitted to the VCGR as soon as possible, as applications can take 12 months to process.

It is not necessary to have access to an approved venue to apply for a venue operator's licence (see section 4.3).

Competitive Bidding Terms and Conditions

All venue operators will need to lodge a completed and signed Terms and Conditions document before they can bid for gaming machine entitlements.

The State will issue information on the Terms and Conditions in the second half of 2009.

Bidder Training

More detailed information on bidding and the allocation system will be made available progressively during 2009.

The State will provide bidder training for registered bidders in early 2010.

Default Bond

Each bidder is required to make payment of a default bond in order to participate in the competitive bidding process.

The purpose of the default bond is to promote bidding by genuine bidders and deter bids for entitlements that cannot be paid for.

For genuine bidders, the impact of the default bond is intended to be minimal. Where a bidder is:

- ◆ successful in gaining entitlements, the default bond is able to be offset against the initial deposit payable for entitlements
- ◆ unsuccessful in gaining entitlements, the default bond will be refunded as soon as practicable following the completion of the bidding process.

A successful bidder will forfeit its rights to the default bond if the bidder fails to:

- ◆ pay the required deposit for the entitlements within 7 days of the completion of the bidding process
- ◆ sign the Minister's agreement (see section 3.4) within 7 days of the completion of the bidding process (regardless of whether the deposit has been paid).

3.3.2 Process for Allocating Entitlements

The competitive bidding process involves the following phases.

1. Eligible bidders register to bid and, based on dates offered, nominate their preferred training dates (see section 3.3.1).
2. Training is conducted for registered bidders.
3. Bidders participate in the competitive bidding process and bid for entitlements specific to a geographic area and venue type.
4. Payment terms are settled, each venue operator signs an agreement with the Minister and gaming machine entitlements are allocated to venue operators.
5. VCGR registers the allocation of entitlements.

3.4 Payment for Entitlements

A venue operator will be required to enter into an agreement (Minister's agreement) regarding the payment terms and other matters in relation to entitlements, for which they have successfully bid. The payment terms provide for a deferred payment option on a fixed schedule.

The terms for deferred payment for entitlements will be:

- ◆ 10 per cent must be paid within seven days following the close of the competitive bidding period
- ◆ 10 per cent must be paid in 2012 prior to the entitlements coming into operation
- ◆ 5 per cent must be paid each quarter thereafter, with the total amount paid within four years of the entitlements coming into operation.

Entitlement holders will be able to pay out entitlements early at their discretion without penalty.

No interest is payable on amounts owing for an entitlement where the entitlement holder is making progressive payments that comply fully with the schedule for deferred payments outlined above.

3.4.1 Failure to Pay for Entitlements

Where an entitlement holder is making payments via the deferred payment option and fails to make an instalment payment by the due date the following will apply:

- ◆ a penalty interest rate² will be applied to any amount that is not paid by the due date
- ◆ three months after a payment date is missed the entitlements will be forfeited to the State, unless the State receives full payment of:
 - the overdue amount
 - interest payable on the overdue amount
 - any subsequent instalment due at the time.

See section 3.7 for information about entitlements that revert to the State.

² The penalty interest rate is fixed by the Attorney-General under section 2 of the Penalty Interest Rates Act 1983, and is 11.0% per annum with effect on and from 1 September 2008.

3.5 Entitlement Ownership Restrictions

Ownership restrictions will be placed on hotel entitlements so that no individual or organisation will be able to directly or indirectly hold more than 35 per cent of hotel gaming machine entitlements (or 4,812 machine entitlements out of the 13,750 able to be allocated to hotels).

As part of its regulatory role, the VCGR will monitor the market to ensure that any changes in corporate structure and/or ownership do not result in a breach of the 35 per cent hotel ownership restriction.

The VCGR will monitor on an ongoing basis against criteria that will outline the relationships between holders of entitlements which could lead to a concentration of ownership issue.

3.6 'Use it or Lose it' Provisions

An entitlement holder must use its gaming machine entitlements in order to retain the right to hold them.

Gaming machine entitlements must be used in an approved venue:

- ◆ within six months of the relevant entitlements coming into operation, in the case of entitlements acquired prior to commencement of the new industry structure in 2012
- ◆ within six months of the acquisition of the entitlements, in the case of entitlements acquired after the commencement of the new industry structure in 2012.

Entitlements not used within this period will revert to the State.

The VCGR will have the power to extend the six-month period, if the entitlement holder applies for an extension, to cover circumstances where the delay is beyond its control. For example, where the venue or planning approval is pending or the building of a venue has not been completed despite all endeavours.

3.7 State's Rights in relation to Entitlements

Entitlements will only ever be held by venue operators subject to the provisions in the Act.

Under specific and limited circumstances, gaming machine entitlements may revert to the State.

Gaming machine entitlements will revert to the State:

- ◆ where the entitlement holder does not pay for the entitlements in accordance with the terms of the Agreement between the State and the entitlement holder (see section 3.4.1)
- ◆ on cancellation of the venue operator's licence under disciplinary action
- ◆ where the venue operator's licence expires or is surrendered and the licensee has not transferred the entitlements to another venue operator prior to the expiry or surrender of the licence
- ◆ on application of 'use it or lose it' provisions (see section 3.6).

In any situation where an entitlement holder's gaming machine entitlements have reverted to the State:

- ◆ all amounts owing to the State for the entitlement will become immediately due and payable
- ◆ the State will be able to reallocate the entitlement via the transfer scheme (see section 3.9)
- ◆ the State will pass on to the original entitlement holder the amount obtained for the entitlement on transfer less:
 - any amounts owing to the State by the entitlement holder
 - any prescribed fees
 - any fines imposed by the State.

3.7.1 Loss of Entitlements due to changes in Regional/Municipal Caps

Regional and municipal caps apply to the number of gaming machines that may operate in an area (see Appendix B), and these caps are subject to periodic review. It may be that the total number of gaming machines that are allowed to operate in an area may change as a consequence of an amendment to the caps.

Where the number of gaming machines operating in any area exceeds the cap due to an amendment to regional or municipal caps, the corresponding number of entitlements held by venue operators in the affected area will need to be reduced.

These entitlements will be able to be traded using the transfer scheme (see section 3.9).

In cases where a venue operator does not wish to sell its entitlements through the transfer scheme, the government may offer to buy back entitlements using a market-based approach.

The buy back scheme will be subject to the following conditions:

- ◆ a time limit on the acceptance of a State offer of the buy-back scheme will apply
- ◆ the agreed price payable by the State will be reduced by the value of any amount that remains outstanding on the initial purchase of the entitlement, at the time the State bought it back
- ◆ the amount payable by the State for the entitlement will be based upon the purchase price of an entitlement, and will not take into account the projected revenue stream associated with the use of the entitlement.

The buy back scheme will not apply to claims from venue operators made for any reason other than due to the loss of entitlements arising from an amendment to regional/municipal caps.

3.8 Variation to Conditions of Entitlement

Once a venue operator has successfully bid for entitlements, the venue operator may apply to the VCGR to vary:

- ◆ the geographic area in which an entitlement may be operated
- ◆ the venue type in which an entitlement may be operated.

Variation to the conditions may only be granted by the VCGR if the proposed variation does not breach Ministerial Directions and regional and municipal limits (see section 3.2).

3.9 Transfer of Entitlements

It will be possible to transfer gaming machine entitlements to another licensed venue operator after the initial competitive bidding process.

The Minister will make rules about the transfer scheme, which will be released as a draft to stakeholders for comment prior to finalisation.

The transfer scheme will provide that:

- ◆ entitlements can be transferred to another venue operator
- ◆ the transfer will be arranged via a Transfer Market website, operated by the VCGR
- ◆ transfers will be subject to the limits applying to gaming machine distribution specified in the Ministerial Directions and the Act (see section 3.2)
- ◆ entitlements will retain the venue type and geographic area conditions until such time as the entitlement holder applies to the VCGR to have the conditions amended
- ◆ all transfers must be authorised by the VCGR prior to finalisation, and the details of the completed transfer registered on the Transfer Market website
- ◆ all amounts owing to the State must be paid prior to the transfer being authorised.

Following trading, entitlements must be used by the new entitlement holder within six months of acquisition.

3.9.1 Transfers prior to 6 months after Industry Transition

Where gaming machine entitlements are traded between allocation and prior to six months after the new industry arrangements commencing they must be used within six months of the new gaming arrangements commencing. In addition, the entitlement holder will be required to pay 50 per cent of any profit to the State.

Entitlement holders may apply for an exemption from this 50 per cent tax on the profit from a transfer if entitlements are transferred because of any decision made by a government body that refuses an application for a venue approval, a planning permit or a liquor licence.

3.9.2 Advertising of Entitlements

Venue operators who wish to transfer gaming machine entitlements must advertise the availability of the entitlements on the VCGR Transfer Market website, except where:

- ◆ the transfer of the entitlements is integral to the sale of a gaming business
- ◆ a company wishes to transfer entitlements to a subsidiary, or between subsidiaries, under the control of different venue operators
- ◆ in circumstances otherwise determined by the VCGR.

Where a transfer of entitlements is not advertised because it meets one of the criteria above, the intention to transfer the entitlements to the specified buyer must be notified on the VCGR Transfer Market website by the seller, prior to the transfer being authorised by the VCGR.

Further detail about the transfer scheme will be provided in the second half of 2009.

4 Operating Gaming Machine Entitlements

From 2012, gaming machines can only be operated in an approved venue by a venue operator that holds gaming machine entitlements.

This section provides a practical outline as to what a venue operator must do in order to operate gaming machines under the 2012 structure. In particular, a venue operator must:

- ◆ hold a current venue operator's licence
- ◆ acquire and hold gaming machine entitlements
- ◆ have access to an approved venue
- ◆ obtain gaming machines and gaming equipment
- ◆ arrange for the gaming machines to be linked to the monitoring system.

4.1 Venue Operator's Licence

Holding a current venue operator's licence is necessary to:

- ◆ participate in the competitive bidding process for gaming machine entitlements (see section 3.3.1 for further details about the eligibility requirements)
- ◆ operate gaming machines.

The VCGR is responsible for the assessment of applications for a venue operator's licence.

4.2 Gaming Machine Entitlements

To operate gaming machines, it will be necessary to obtain gaming machine entitlements through either:

- ◆ the initial competitive bidding process for the allocation of gaming machine entitlements (see section 3.3) or
- ◆ the transfer scheme for entitlements (see section 3.9).

A single gaming machine will be able to be operated for each gaming machine entitlement that is held. Gaming machine entitlements can only be operated by a venue operator in an approved venue that is attached to its venue operator's licence.

4.3 Access to an Approved Venue

Venue operators do not require an approved venue in order to bid for gaming machine entitlements. However, having successfully bid for entitlements a venue operator will need to obtain access to an approved venue for the purpose of conducting gaming on gaming machines from 2012.

This requirement is satisfied where:

- ◆ a venue operator already has access to a venue previously approved prior to 2010
- ◆ after receiving an allocation of entitlements, a venue operator obtains approval for its proposed venue
- ◆ a venue operator obtains access to an approved venue owned by another party.

4.4 Acquisition of Machines

A venue operator who holds gaming machine entitlements may purchase or lease gaming machines directly from a manufacturer, via a third party or facilitated by a peak body.

Individual venue operators will be able to form purchasing groups to increase their buying power.

Manufacturers will be required to publish standard price lists, including bulk discount rates. The VCGR will regulate industry compliance with this requirement.

4.5 Link to the Monitoring System

A gaming machine cannot be operated until it is linked to the monitoring system provided by the State's Monitoring Licensee (see section 5).

It is intended that the Monitoring Licence and related Agreements will require the Monitoring Licensee to provide the necessary hardware, software and infrastructure to link gaming machines to the monitoring system.

The monitor will also provide linked jackpot systems for gaming machines, if requested by the venue operator.

The venue operator is required to pay a monitoring fee to the Monitoring Licensee (see section 5.2).

4.6 Venue Services

Venue operators will be responsible for the operation of their venue and for regulatory compliance.

The new approach will provide a venue with the flexibility to:

- ◆ utilise external service providers where it wants to
- ◆ obtain those services on commercial terms acceptable to the venue operator.

4.7 Prohibition on Profit Sharing

To maintain the integrity of business operations in the post 2012 gaming industry and ensure venues receive the benefits intended under the new venue operator framework, the State will prohibit profit sharing arrangements.

A venue operator will not be permitted to procure services where the payment terms for the provision of those services is based on a share of gaming revenue.

This restriction seeks to prohibit all venue service agreements (encompassing agreements, arrangements or understandings), including (but not limited to) situations where:

- ◆ a venue operator enters into an agreement with a professional venue management company that involves payment for services based on a share of gaming machine revenue
- ◆ the landlord of an approved venue enters into an arrangement with a venue operator for a share of gaming revenue
- ◆ a venue operator enters into an agreement with another company for that company to finance purchase of gaming machine entitlements in return for a share of the revenue from gaming.

Where a venue operator enters into a profit sharing arrangement, they would be in breach of the venue operator's licence and would be subject to disciplinary action under the Act.

No compensation will be payable by the State to any person who may be affected by the prohibition on profit sharing. This prohibition will operate from the commencement of the new industry structure in 2012, enabling any relevant existing arrangements to be renegotiated or finalised prior to that time.

5 Independent Monitoring

The government will appoint a single Monitoring Licensee to operate from when the new industry arrangements commence.

The Monitoring Licence term is for ten years. As with the gaming machine entitlements, the Minister is able to extend the initial term of the licence for up to two years.

The Monitoring Licensee will be independent and will oversee the integrity of gaming machine transactions in venues.

5.1 Monitoring Function

The Monitoring Licensee will provide an electronic monitoring system, to which all gaming machines in Victorian venues must link.

The objective of the monitoring function is to ensure the integrity of gaming machine transactions in gaming venues and to provide data and information on gaming machines for regulatory, taxation and research purposes.

The Monitoring Licensee will be required to:

- ◆ monitor gaming machine transactions to detect significant events associated with each gaming machine and continuously record, monitor and control significant game play transactions and revenue
- ◆ operate and maintain a monitoring system
- ◆ provide and maintain network-wide responsible gambling systems and mechanisms as directed by the Minister
- ◆ collect, store and report on gaming machine performance data as directed by the Minister
- ◆ provide all hardware, software and infrastructure required for the operation of the monitoring system
- ◆ provide and maintain all linked network jackpot systems in Victoria.

If venues want to utilise linked jackpot services, they must do so through the Monitoring Licensee.

Part of the Monitoring Licensee's role will include calculating and advising venue operators of the tax that must be paid by the venue operator each month.

Subject to the paragraph below, the Monitoring Licensee will not be prevented from offering other services to venues, in addition to those required under the terms of the Monitoring Licence. However, venues are not obliged to use the Monitoring Licensee for any of these additional services.

The Monitoring Licensee cannot:

- ◆ be a venue operator
- ◆ provide venue management services for venues
- ◆ manufacture gaming machines or supply restricted components
- ◆ provide gaming machine testing services.

5.2 Monitoring Fees

Venue operators will be required to pay for monitoring services and will only be able to operate gaming machines if they are connected to and communicating with the monitoring system.

The pricing structure will be included in the conditions of the Monitoring Licence.

5.3 Monitoring Licence Awarding Process

The government intends to award the Monitoring Licence in late 2009 / early 2010, allowing the new licensee time to work with the industry on transition in the lead up to 2012.

There will be a competitive bidding process for the awarding of the Monitoring Licence. It is anticipated that the State will seek Expressions of Interest in early 2009.

The licence awarding process will be subject to review by the Independent Review Panel and by an independent probity adviser.

6 Financial Arrangements

6.1 Revenue distribution

The new arrangements provide for venues to receive a much greater share of revenue from gaming machines, while also having direct responsibility for a greater share of the business costs associated with running a gaming business.

Currently, the revenues from gaming are distributed between the gaming operators, venues and the government. From 2012, the revenues will be split between venues and the government.

6.2 Taxation

The minimum return to players of 87 per cent of gaming machine turnover will not change under the new arrangements. The remaining "player loss" represents revenue to venues under the new arrangements.

The government has decided that progressive tax arrangements will apply to gaming machine revenue under the new venue operator structure post-2012.

The progressive taxes will apply to each venue's "average monthly per gaming machine revenue", or player loss within each venue.

"Average monthly per gaming machine revenue" is calculated by dividing each venue's monthly revenue by the number of machines with respect to which an entitlement is held by the venue operator.

The following progressive rate scale will apply to the "monthly per gaming machine revenue" to calculate the "tax per machine" at each venue:

| Average Monthly, Per Machine Revenue | Hotel Tax rate | Club Tax rate |
|--------------------------------------|----------------|---------------|
| 0 - \$2,666 | 8.33% | Tax free |
| \$2,667 - \$12,500 | 50.83% | 42.5% |
| \$12,501 + | 58.33% | 50.0% |

The "total tax liability" will be determined by multiplying this "tax per machine" by the number of machine entitlements held by the venue operator with respect to the venue for the relevant month.

For example, where a club venue operator has 100 machines and \$1,000,000 in monthly revenue, the monthly tax liability is calculated as follows:

$$\text{"average monthly per gaming machine revenue"} = \$1,000,000 / 100 = \$10,000$$

$$\text{"tax per machine"} = (\$10,000 - \$2,666) * 42.5 \text{ per cent} = \$3,116.95$$

$$\text{"tax liability"} \text{ for the month} = \$3,116.95 * 100 = \$311,695$$

These taxes will be payable by venue operators on a monthly basis, and within seven days of the tax applying.

These progressive tax arrangements have been developed in line with the following principles:

- ◆ instituting a tax free threshold that allows for venues with small revenues to not be significantly affected by the tax arrangements
- ◆ maintaining the existing 8.33 per cent tax differential between gaming machine revenue within hotels and clubs
- ◆ the State deriving a share of gaming machine revenue that is broadly similar under the post-2012 arrangements to the current arrangements.

Post-2012, the government will regularly review rates and thresholds to ensure that these principles are being met during the term of the entitlements.

The taxation revenue collected from gaming machine revenue will continue to be used to fund critical services to the community, including health services, community projects, problem gambling services, community education initiatives and gambling research.

6.2.1 Goods and Services Tax

Additional to the State tax, and consistent with current arrangements, GST will continue to be paid directly to the Federal Government on gambling supplies, including operating gaming machines in clubs and hotels.

7 Regulation of Gaming

Gambling activity is closely regulated in Victoria to:

- ◆ reduce the harm caused by problem gambling
- ◆ ensure that gambling and gambling products are fair to consumers
- ◆ ensure that gambling activity and the management of gambling is free from criminal influence and exploitation.

The Victorian Commission for gambling regulation (VCGR) will continue to be responsible for regulating gambling in Victoria.

With respect to gaming machines, the VCGR's core regulatory functions under the new structure will include:

- ◆ venue operator licensing, including the assessment of an applicant's Responsible Gambling Code of Conduct
- ◆ probity and integrity checks and approval of regulated service providers
- ◆ the registration of entitlements, following successful bidding under the new arrangements
- ◆ the management of the transfer scheme for gaming machine entitlements, including those entitlements that have reverted to the State
- ◆ initiation of disciplinary action where an entitlement holder fails to pay for an entitlement
- ◆ the assessment of applications by the entitlement holders for an extension of the 'use it or lose it' period applying to gaming machine entitlements
- ◆ investigation of instances of inducements being offered to venues under the new arrangements
- ◆ ongoing review and audits, plus data and system verifications of the new Monitoring Licensee
- ◆ ongoing audit/review of compliance with regulatory requirements (e.g. responsible gambling)
- ◆ investigation of significant gaming machine events or compliance issues
- ◆ ensuring that the constraints on the distribution of gaming machine entitlements are maintained (e.g. regional/metropolitan distribution)
- ◆ ensuring that gambling and gambling products are fair to consumers.

As with any regulatory structure, the regulatory arrangements presently under development will be subject to potential ongoing refinement.

8 Information for Industry Participants

When the government announced the venue operator structure, it committed to developing a business education and training package for venues.

The government recognises that to transition to the new arrangements, venue operators will need to undertake business and financial planning and make assessments about their capacity to operate in the new environment.

The aim of the business training is to ensure that each venue operator has a fair opportunity to participate in the bidding process for gaming machine entitlements.

There are three components to the industry information to be released by the State:

- ◆ Business Education Program
- ◆ Market Information
- ◆ Bidder Information and Training.

8.1 Business Education Program

The Business Education Program has been designed to assist the industry and potential bidders in planning for the competitive bidding process and the 2012 gaming industry environment.

The components of the Business Education Program include:

- ◆ Business Workshops
- ◆ Business Mentors
- ◆ Business Toolkit.

All elements of the Business Education Program will commence in the first half of 2009.

Business Workshops

The Business Workshops will be developed by Small Business Victoria. They will include business and financial planning seminars developed specifically for the gaming industry.

The seminars will be available state wide in the first half of 2009. They will be free to all participants.

Business Mentoring

The Business Mentoring program will offer interested parties an opportunity to receive one-on-one assistance from business experts.

Small Business Victoria will develop the mentoring program to build on the skills and knowledge that venue operators and potential bidders gain during the Business Workshops. These services will also be available to those that have not participated in the Business Workshops.

Business Toolkit

The Business Toolkit will provide printed information, to assist venues prepare for the 2012 venue operator structure. The content of the toolkit is under development and will include information on business and financial planning, corporate governance for venues and taxation.

8.2 Market Information

A comprehensive document on the gaming industry in Victoria (entitled *Gaming Machine Arrangements 2012: Overview of the Victorian Gaming Industry*) will be released in early 2009.

8.3 Bidder Information and Training

An Information Pack and briefings containing details on the competitive bidding process and how to bid will be released in the second half of 2009 to align with the release of the Terms and Conditions.

The government will provide training sessions to registered bidders to provide them with information on the competitive bidding process and train them to use the system. Bidder Training is a compulsory requirement for any venue operator interested in bidding for gaming machine entitlements.

Information on the training and timing of the training will be made available later in 2009.

9 Responsible Gambling

The government has a significant record in combating the harm caused by problem gambling. The Department of Justice oversees this function separate to the Review process.

In October 2006, the government released its Taking Action on Problem Gambling statement, committing over \$132 million to a broad range of initiatives. This strategy represents the biggest funding commitment for reducing the harm caused by problem gambling in Australian history.

Since 1999, the government has introduced a range of strategies that have resulted in a more responsible gambling industry and reduced the incidence of problem gambling in Victoria. These strategies include:

- ◆ the introduction of caps on gaming machines in vulnerable areas
- ◆ elimination of 24-hour gaming venues outside the casino
- ◆ a ban on smoking in all Victorian clubs and hotels
- ◆ changes to the configuration of gaming machines, for example, a ban on autoplay facilities and a freeze on spin rates
- ◆ restrictions on gaming venue signage and a ban on gaming machine advertising
- ◆ media and community education campaigns highlighting gambling associated risks and the availability of help services
- ◆ requiring winnings to be paid entirely by cheque when payout is in excess of \$1000 (except at the casino)
- ◆ fixing maximum density limits on the number of gaming machines in specified regional areas.

In addition, the government is currently implementing a number of new policy commitments aimed at reducing the harm caused by problem gambling and improving the responsible gambling environment.

Banning ATMs from all gaming venues

The government will further restrict access to cash by prohibiting all automatic teller machines in all gaming venues, including areas within 50 metres of an entrance to the Melbourne casino gaming floor, from the end of 2012.

Exemptions will be available for venues in rural areas who can demonstrate that there is a real need for an ATM at a venue in their community.

Pre-commitment

From 2010, when new gaming machine standards are set, pre-commitment mechanisms will be mandated on all next-generation machines.

All gaming machines manufactured from this time will be required to have a pre-commitment mechanism that allows a gambler to pre-set time and loss limits. Gamblers will be able to limit how much they want to spend, or how long they want to spend playing, prior to commencing play. The government is currently undertaking consultation to determine the most appropriate approach for the Victorian gaming environment.

Significant increases in penalties for allowing a minor to gamble

The *Gambling Legislation Amendment (Responsible Gambling and Other Measures) Act 2008* increases the penalties that apply for allowing a minor to gamble from a current penalty of \$1,100, to a new maximum of over \$13,000.

Halving the maximum bet limit on gaming machines

The \$132 million, five-year Taking Action on Problem Gambling commitment contained measures to reduce the maximum gaming machine bet from \$10 to \$5 per spin. A new \$5 maximum bet limit came into effect on 1 July 2008 for all new machines, and from 1 January 2010 will also apply to all existing machines (except gaming machines at the Melbourne casino).

New powers for the Minister for Gaming and the VCGR to ban gambling products or practices

The *Gambling Legislation Amendment (Responsible Gambling and Other Measures) Act 2008* amends the Gambling Regulation Act 2003 to enable the Minister to ban products or practices that undermine the responsible gambling objectives of that Act. This power fulfils the government's commitment contained in Taking Action on Problem Gambling.

Prohibition on gaming machine advertising

The *Gambling Regulation Amendment (Licensing) Bill 2009* strengthens the existing prohibition on gaming machine advertising by gaming operators and venue operators.

The advertising ban is not intended to prevent the legitimate promotion of a venue to the broader community, but to ban advertising that is associated with gaming machines.

Prohibition on trade promotion lotteries

It is proposed that gaming operators be prohibited from conducting trade promotion lotteries. There will be a grace period of up to twelve months for trade promotion lotteries that have been already permitted (or commenced in the instance of non-permit trade promotion lotteries) where the trade promotion lottery will not be subject to the new requirements.

Venue operators and the casino operator will be able to conduct trade promotion lotteries. However, they will be prohibited from including spending on gaming machines as part of any eligibility requirement for entry into a trade promotion lottery.

Codes of conduct

New requirements under the Gambling Regulation Act 2003 will require existing and new venue operators, as well as other gaming providers such as lottery and wagering licensees, to have an approved Responsible Gambling Code of Conduct. As part of this requirement, the Minister for Gaming has issued directions to the VCGR. The directions set out the matters which must be contained in a code of conduct. There are also guidelines which include suggested ways of implementing the requirements in the directions.

10 Information and Consultation

The government recognises that the venue operator structure represents a significant change to the gaming industry and is therefore committed to receiving ongoing feedback from stakeholders and the community.

The government has implemented an ongoing process of information provision and consultation regarding the 2012 gaming machine arrangements.

10.1 Public Release of Information

The government will continue to prepare and release reports to the public to announce key policy decisions.

10.1.1 Statement of Outcome Documents

The government has published a 'Statement of Outcomes' document at key junctures in the government's decision making, to maintain a regular flow of information to all parties with an interest in the Victorian Gambling Industry.

In April 2008 the government released the *Post 2012 Regulatory Review Phase Statement of Outcomes*, which announced the new structure for gaming, wagering and keno and the approach to the future funding of the racing industry that will apply in 2012.

The release in February 2009 of this document, *Gaming Machine Arrangements 2012: Statement of Outcomes II*, represents a continuation of this approach, providing further information about the post 2012 gaming industry and the regulatory environment in which industry will operate.

10.1.2 Overview of the Victorian Gaming Industry

Shortly, the Government will release a further document, *Gaming Machine Arrangements 2012: Overview of the Victorian Gaming Industry*.

This document is to be directed at those parties with a potential interest in operating gaming machines in a Victorian venue in 2012, and will provide practical material and data to inform their decisions and planning in relation to their participation in the gaming industry in 2012.

The document will incorporate:

- ◆ information about the operational and regulatory environment
- ◆ population and gaming activity data
- ◆ material and data specific to some of the key financial considerations of relevance to a venue operator considering establishing and conducting a venue gaming business in 2012.

10.1.3 Future Information

The Government will continue to provide information to the industry throughout 2009 including a *Gaming Machine Entitlements Bidder Pack*, in the second half of 2009.

10.2 Consultation

Public consultation has been central to the progression of the Gambling Licences Review since its inception, informing the Regulatory Review phase of the project leading to the government's decisions about the new arrangements.

The government will continue to consult, as it develops the details applying to the new arrangements.

10.2.1 Submission based Consultation

The government has sought the views of the industry on the gaming machine arrangements through a submission based consultation process. The first consultation, in June 2008, sought views on the *Gaming Machine Post 2012 Discussion Paper*.

Further opportunities for comment in relation to gaming machine arrangements were provided in October 2008 and December 2008. On the latter occasion, the government released an *Exposure Draft of the Gambling Regulation Further Amendment (Licensing) Bill* and an *Explanatory Statement*, inviting comment on the proposed legislative amendments.

At that time, the government also released a Discussion Paper to facilitate feedback on the implementation of, and transition to, the proposed post 2012 independent monitoring function for gaming machines.

The responses received through these consultative processes assisted the government in developing its policies and in identifying matters for further clarification.

Submissions will be published on the Department of Justice website.

10.2.2 Information Briefings

Information briefings will be conducted across Victoria by the Department of Justice to inform the industry of the government's decisions regarding gaming machine arrangements for the 2012 venue operator structure.

These briefings will be held in February and March 2009 and will be advertised via public notices.

10.2.3 Further Consultation

The government will continue to consult through a submission based process. The next consultation will be around April 2009 following the Information Briefings. It is intended to provide an opportunity for the industry to comment on the information in this document and the Information Briefings.

10.3 Further Information

All information on the Gambling Licences Review is available on the Department of Justice website at www.justice.vic.gov.au/gamblinglicencesreview.

Interested parties can access information on the gaming machine arrangements at www.justice.vic.gov.au/gamingmachines.

An email newsletter has been established to provide information on the developments of the Review. The newsletter is circulated to all subscribers when information on the gaming machine arrangements becomes public. Interested parties can subscribe to the *Gaming Machine Industry Bulletin* at www.justice.vic.gov.au/gamingmachines/news.

Any party interested in applying for a venue operator's licence or seeking information about gaming regulations should visit the VCGR website at www.vcgr.vic.gov.au

11 Transition to the New Structure

The transition to a venue operator structure in 2012 involves a significant amount of planning on the implementation of, and transition to, the new industry.

Any venue operator that purchases entitlements is signalling its own commitment to assist the transition and prepare itself for full operational readiness on the day that the new structure commences. The government will work with industry to support and facilitate the transition to the new gaming industry arrangements that will apply in 2012.

The government will continue to focus on developing further details of the gaming machine arrangements and the requirements for the transition to the new structure.

12 The Way Forward

There are a number of key events associated with the transition to the venue operator structure.

These events and an indicative timeframe are presented below.

| Venue Operations | |
|---|---|
| Release of document, Overview of the Victorian Gaming Industry | 1 st quarter of 2009 |
| Business Education program for potential bidders | Commencing in 1 st half of 2009 |
| Information Sessions and Terms and Conditions for bidding | During 2009 |
| Training for registered bidders | Early 2010 |
| Allocation of gaming machine entitlements | Early 2010 |
| Monitoring | |
| Monitoring Licensing process commences | 1 st half of 2009 |
| Monitoring Licence granted | Late 2009 / early 2010 |
| Consultation | |
| Regional information briefings | Commencing in 1 st quarter of 2009 |
| Continuation of gaming machine consultation with stakeholders | During 2009 |
| Release of draft Minister's Rules on Transfer Scheme for comment | 2 nd half of 2009 |
| Legislation/Regulation | |
| Anticipated passage of <i>Gambling Regulation Amendment (Licensing) Bill 2009</i> | Mid 2009 |
| Making of Gambling Regulation Amendment Regulations | 2 nd half of 2009 |
| Anticipated introduction of the <i>Gambling and Racing Amendments Bill (2009)</i> | 2 nd half of 2009 |

13 Progress of Keno and Wagering Licensing Processes

In addition to the new arrangements for the gaming machine industry, the government also announced in April that:

- ◆ Keno will be offered as a single 10 year licence
- ◆ a single stand-alone 12 year licence will be offered for wagering and betting

Under the new arrangements the:

- ◆ Keno Licensee will be able to offer keno in interested pubs and clubs
- ◆ Wagering and Betting Licensee will be able to offer wagering and betting products in interested pubs, clubs and stand alone agencies.

On Wednesday, 17 September 2008, the Notice calling for Registrations of Interest in the grant of a Keno Licence was gazetted, commencing a key stage in the process for the restructure of the Victorian gambling industry. Eligible persons were invited to register their interest in the grant of the Keno Licence and those registrations are currently being reviewed by the State. Following the Minister's consideration, selected registrants may be invited to apply.

The Notice calling for Registrations of Interest in the grant of a Wagering and Betting Licence was gazetted on Wednesday, 5 November 2008. The closing date for registrations of interest in the Wagering and Betting Licence was 16 January 2009. Those registrations of interest will also be reviewed and selected registrants may be invited to apply.

Under the new arrangements, the Victorian Racing Industry will be funded from wagering operations post 2012 to the greatest extent possible and future funding arrangements are to be no less favourable.

On Monday, 3 November 2008, the government announced the racing industry would benefit from a 60 per cent drop in Victorian wagering taxes post 2012, when the gaming and wagering licences are separated.

The tax rate for parimutuel wagering will be reduced from 19.11% to 7.6% and the tax rate for fixed odds betting will drop from 10.91% to 4.38%. The money available from the parimutuel tax deduction will replace the revenue, which the industry currently gets from electronic gaming machines. The government has committed to conducting a review and, if needed, will adjust the 7.6% parimutuel tax rate in 2012 based on wagering and gaming market conditions at that time. These changes and the commitment to conduct a review will be included in the legislation. The racing industry will have the opportunity, as it has to date, to be closely consulted in this review.

The wagering and betting licence will provide the opportunity to establish and operate the only betting exchange based in Victoria. To foster competition for that market, and to allow a reasonable return to both the industry and government, a tax rate of 10% of operator commission has been set.

It is intended that the Keno Licence and the Wagering and Betting Licence will be awarded by the end of 2009.

The draft Keno Licence and Related Agreements have been released to registrants for comment. The draft Wagering and Betting Licence and Related Agreements will be released to registrants.

Appendix A State's Guiding Principles for Gambling Policy

The government's principles to guide gambling policy and legislation are:

- **Consumer choice**

The government recognises that gambling is a legitimate recreational activity for many, and Victorians are entitled to expect the highest standards of choice and service from gambling providers in a competitive and innovative marketplace.

- **Community benefit**

The government is committed to ensuring that the legitimate financial benefits of gambling are transparent, recognisable, and fairly distributed to the community.

- **Harm reduction**

The government is committed to reducing the harm caused to people experiencing the effects of problem gambling, and recognises that the State, the gambling industry and community partners have a shared responsibility to deliver effective solutions.

- **High standards of transparency and accountability**

The government seeks to ensure the highest standards of transparency, probity, integrity and accountability in the development of evidence based gambling policy, and the community will be engaged on the decisions that affect them.

- **Sustainable Racing Industry**

The Racing Industry is a vital part of Victoria's economic and social fabric. The government is committed to providing an environment that promotes a viable and sustainable future for the Racing Industry.

(Source: Review of the Electronic Gaming Machine, Club Keno and Wagering Licences and Funding Arrangements for the Racing Industry Post 2012 - Regulatory Review Phase Statement of Outcomes, April 2008)

Appendix B Regional Caps on Gaming Machine Numbers

On Thursday 12 October 2006, the Minister for Gaming announced that there would be 19 new capped regions. The Minister also published an order in the Victoria Government Gazette, under section 3.2.4 of the *Gambling Regulation Act 2003*, detailing the regions.

The Minister's order directed that the maximum number of gaming machines permitted in each region must be the lower of:

- ◆ 10 gaming machines per 1,000 adults; or
- ◆ the number of gaming machines per 1,000 adults as at the date of the order.

The 19 capped regions are:

1. City of Ballarat
2. City of Banyule (postcode area 3081)
3. Shire of Bass Coast
4. City of Brimbank (postcode areas 3012, 3021, 3020, 3022, 3023 and 3038)
5. City of Casey (postcode areas 3177, 3803, 3975 and 3976)
6. City of Greater Dandenong
7. City of Darebin
8. City of Greater Geelong and the Borough of Queenscliffe
9. City of Greater Shepparton
10. City of Hobsons Bay
11. City of Hume (postcode areas 3043, 3047, 3048, 3060 and 3061)
12. City of Latrobe
13. City of Maribyrnong
14. City of Melbourne (postcode areas 3031, 3051 and 3053)
15. City of Monash (postcode areas 3147, 3148, 3166, 3167, 3168 and 3170)
16. City of Moonee Valley
17. City of Moreland (postcode areas 3055, 3056, 3057, 3058 and 3060)
18. City of Warrnambool
19. City of Whittlesea (postcode areas 3074, 3075, 3076, 3082 and 3083)

From 2010, municipal limits will apply statewide, so that for all local government areas (with the exception of the CBD, Southbank and Docklands areas) there will be no more than 10 gaming machines per 1,000 adults.