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Ms Lyn Beverly
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16 MAR 2011

Dear Ms Beverly

Request for information - Inquiry into pre-commitment schemes

Thank you for your letter of 17 February 2011 requesting information on the regulatory environment affecting gaming machines. I apologise for the delay in responding to your request. Responses to your request are provided below.

Regulatory regime

In April 2008, the then government announced that Victoria would end the current gaming machine duopoly and replace it with a new venue operator model from 2012. The new arrangements will allow venue operators to acquire and operate their own gaming machines in approved venues.

I enclose a copy of Overview of the Victorian Gaming Industry published in 2009. This document provides information on the regulatory arrangements to apply from 2012. The document can also be downloaded at www.gamblinglicences.vic.gov.au.

The government has allocated up to 27,500 gaming machine entitlements to venue operators. Each entitlement held will authorise venue operators to operate one gaming machine in a hotel or club for a period of 10 years from 16 August 2012.

As part of the new arrangements, a single independent Monitoring Licence will be allocated to provide an electronic monitoring system, which all gaming machines in the State (other than those at the casino) must be connected to. Currently, gaming machine operators are responsible for monitoring their own gaming machines.

From 2012, the Monitoring Licensee will be required to provide and maintain a monitoring system, incorporating a network that connects a range of gaming machines to a central monitoring system. It will connect individual gaming machines to a 'site controller'.

Communication between the site controller and gaming machines must use a communications protocol, consistent with the applicable standards and the monitoring system.

Gaming machine data

The Victorian Commission for Gambling Regulation publishes a large volume of statistics that map the movement, expenditure by venue and location of electronic gaming machines. This information can be found on the Commission's website at www.vcgr.vic.gov.au.

Communications protocols

Victoria currently has four central monitoring systems in operation, one each for Tabcorp Holdings Ltd and Crown Casino and two for Tattersall's Gaming Pty Ltd. Many of the protocols currently in use can only communicate with a single system, meaning the gaming machine would not be able to communicate with any system other than the monitoring system.

From 2012, an independent monitor will take over the monitoring of gaming machines in all venues, except the casino. The specific arrangements for the new monitoring system and communications protocol are unknown at this stage.

Victorian pre-commitment scheme

The Victorian Government has a policy to implement pre-commitment technology on all gaming machines in Victoria no later than 2015-16.

Under the pre-commitment scheme, players will be able to choose whether or not they want to use a pre-commitment access device and whether or not to set a limit. Players who chose to use an access device will be able to track their play across all gaming machines in Victoria even if they do not set a limit.

The Victorian Government opposes the introduction of a mandatory pre-commitment scheme.

Yours sincerely

ROSS KENNEDY
Executive Director
Gaming & Racing

Gaming Machine Arrangements 2012

2nd Edition
September 2009

Overview of the
Victorian Gaming Industry



Gaming Machine Arrangements 2012

Subscribe to the *Gaming Machine Industry Bulletin* for all the latest information (see www.gamblinglicences.vic.gov.au).

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Minister's Message

The Victorian Government has made significant progress towards implementing the landmark changes to the gaming industry since the first edition of the *Overview of the Victorian Gaming Industry*.

In June 2009, the *Gambling Regulation Amendment (Licensing) Act 2009* came into effect setting out the legislative framework for the new gaming venue operator arrangements.

This legislation sets the foundations for Victoria's historic new gaming industry arrangements that will allow hotels and clubs to own and operate gaming machines from 2012.

The new gaming industry arrangements will deliver greater control to venues and give them the opportunity to derive a greater share of revenue from their business operations.

This second edition of the *Overview* document includes the changes that are now incorporated into the new legislation. This publication gives all those interested in participating in the new gaming industry a comprehensive guide to gaming in Victoria. The second edition also includes the 2008-09 gaming machine venue expenditure data.

A Gaming Auction will give all eligible venue operators interested in operating a gaming business an opportunity to participate in the industry by bidding for gaming machine entitlements. The auction will take place in the second quarter of 2010.

In recognition of the contribution Victoria's clubs make to the community, the government introduced the Pre-Auction Club Offer. This gives certainty to existing clubs with gaming machines by giving them the option to pre-purchase a limited number of gaming machine entitlements ahead of the Gaming Auction.

The Pre-Auction Club Offer will take place in October 2009. Clubs operating gaming machines in a club on 4 June 2009 can choose whether to accept the Pre-Auction Club Offer in full, accept part of the offer or to reject the offer. Whichever option clubs choose they can still participate in the Gaming Auction.

Details of the Gaming Auction and bidder registration will be released in October 2009 to assist all venues interested in participating in the new arrangements to make informed decisions.

The new measures also introduce a tax-free threshold for clubs allowing them to invest back into their communities, and reduce the first two

instalment payments from 10 per cent to 5 per cent for clubs purchasing gaming machine entitlements.

It is important that competition in the industry is encouraged while ensuring the industry remains well regulated, with leading and progressive responsible gambling measures remaining a priority.

The legislation mandates pre-commitment capabilities for gaming machines in Victoria. It also bans ATMs from gaming venues from 2012. Other measures introduced by the government, such as mandating the codes of conduct, also ensure that the industry fosters responsible gambling in venues.

The legislation also introduces an independent monitoring licensee to ensure the integrity of gaming machine transactions in venues by providing an electronic monitoring system to which all gaming machines in Victoria must connect. A competitive process is currently underway for the 15-year monitoring licence. It is anticipated that the new licence will be awarded in early 2010.

The Victorian Commission for Gambling Regulation will continue to play an important role as the independent regulator of the gaming industry.

Our comprehensive information program will continue with a second round of State Wide Information Sessions in October 2009, plus a bidder-training program in early 2010.

In addition, the government's Business Education Program began in July 2009 to support transition to the new industry arrangements. It consists of a comprehensive business toolkit designed by Small Business Victoria to complement the business workshops, that have been held across the State and a business mentoring program still underway.

I encourage all those interested in the new gaming industry to read this document and to subscribe to the *Gaming Machine Industry Bulletin*. The Gambling Licences Review website at www.gamblinglicences.vic.gov.au is also an important source of information to keep you informed.



Hon Tony Robinson
Minister for Gaming

How to be a Venue Operator in 2012

The State will offer gaming machine entitlements via a Pre-Auction Club Offer to eligible clubs in October 2009 and via a Gaming Auction in the second quarter of 2010. One entitlement authorises the operation of one gaming machine for a maximum of 10 years from 2012.

Any party wishing to be a venue operator in the Victorian gaming industry from 2012 should, at a minimum, be aware of the:

- key requirements for participation in the Pre-Auction Club Offer or the Gaming Auction
- priorities for participation
- scale of the gaming industry and where gaming machines may operate.

There are a number of steps venue operators need to take in order to be allocated entitlements and also to operate a gaming business in 2012.

All venue operators participating in the new gaming industry arrangements must comply with the requirements for operating a gaming business.

A venue operator will be able to operate a gaming business in 2012 if they:

- hold a current venue operator's licence
- hold gaming machine entitlements and meet payment requirements
- have an approved venue
- have gaming machines
- connect their gaming machines to the monitoring system
- continue to meet the State's responsible gambling requirements.

Pre-Auction Club Offer (see section 2.2)

Clubs that want to accept the Pre-Auction Club Offer must:

- meet the eligibility requirements
- provide a five per cent deposit for each entitlement purchased as part of the Pre-Auction Club Offer opening in October 2009. The deposit must be in the form of a bank cheque or bank guarantee

- sign and lodge a completed Pre-Auction Club Offer Deed Poll document (terms and conditions) as acceptance of the Pre-Auction Club Offer, which opens in October 2009
- sign a Minister's Agreement setting out the terms and conditions associated with payment terms within 28 days after the close of the Gaming Auction
- sign a Minister's Agreement setting out the terms and conditions associated with the subsequent use of the entitlements within 28 days after the close of the Gaming Auction.

More detailed information about the Pre-Auction Club Offer can be found in *An Introduction to the Pre-Auction Club Offer* available on the Gambling Licences Review website www.gamblinglicences.vic.gov.au.

Gaming Auction (see section 2.3)

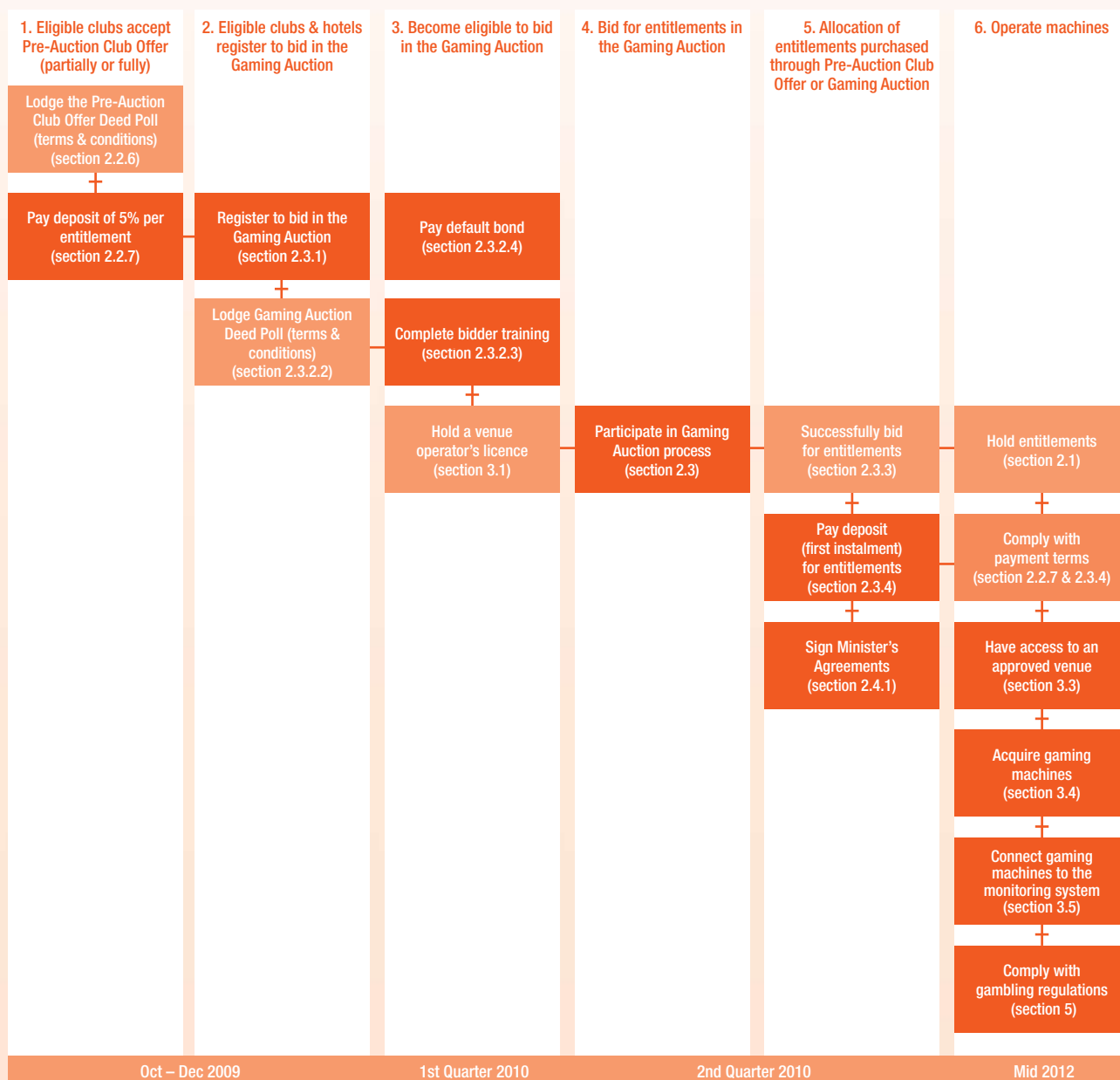
Eligible entities planning to participate in the Gaming Auction must:

- meet the bidder eligibility requirements
- register to bid during the bidder registration period. The process for bidder registration will be outlined in the Bidder Information Pack, which will be released in October 2009
- sign and lodge a completed Gaming Auction Deed Poll (terms and conditions) during the bidder registration period
- sign a Minister's Agreement setting out the terms and conditions associated with payment terms within 28 days after the close of the Gaming Auction
- sign a Minister's Agreement setting out the terms and conditions associated with the subsequent use of entitlements within 28 days after the close of the Gaming Auction
- undertake mandatory bidder training in early 2010
- bid for entitlements at the Gaming Auction in the second quarter of 2010.

Information about the Gaming Auction can be found in *An Introduction to the Gaming Auction* available on the Gambling Licences Review website: www.gamblinglicences.vic.gov.au.

More detailed information will be published in the Bidder Information Pack in October 2009 and provided in the bidder training in early 2010.

Figure 1: Steps to Take to Operate a Gaming Business



Gaming in Victoria: participation in 2012 and beyond

Three of the highest priorities for any party wishing to operate a gaming business from 2012 are:

1. To have a venue operator's licence

The assessment processes to obtain a venue operator's licence can be lengthy and usually takes a minimum of four months. It is strongly suggested that any party requiring a licence apply to the Victorian Commission for Gambling Regulation (VCGR) for a venue operator's licence now (see section 3.1).

2. To learn about the requirements for participation

This document is not the only source of information available to venue operators. More information is available in *An Introduction to the Gaming Auction* and *An Introduction to the Pre-Auction Club Offer* available on the Gambling Licences Review website: www.gamblinglicences.vic.gov.au.

A priority for prospective participants in the 2012 gaming industry is planning and business development. Take advantage of other information that is freely available. Participate in the Business Education Program facilitated by Small Business Victoria. To register for the Business Education Program please visit: www.business.vic.gov.au/gaming.

Pursue other lines of enquiry. Seek and obtain professional independent financial and business advice.

Be prepared for the Pre-Auction Club Offer and the release of the Bidder Information Pack in October 2009.

3. To access the latest information

The government will provide updated information when details are ready for public release. Subscribe to the *Gaming Machine Industry Bulletin* for all the latest information.

Attend State Wide Information Sessions in October 2009 and regularly check the

Gambling Licences Review website for the latest information on industry changes: www.gamblinglicences.vic.gov.au.

Gaming in Victoria: high level numbers

In 2008-09:

- 26,772 gaming machines out of a maximum number of 27,500 (excluding the Melbourne Casino) were licensed to operate at year's end
- 515 separate venues were operational at year's end
- more than \$2.7 billion of gaming expenditure was generated during the year, at an average of \$101,123.50 per machine before taxes and other business costs.

From 2012, gaming will only be able to be conducted by the holders of gaming machine entitlements. There will be:

27,500 entitlements in total (of which):	→ no more than 105 will be allocated for use in any one venue
	→ no more than 13,750 (50%) will be allocated for use in either clubs or in hotels
	→ no less than 5,500 (20%) will be allocated for use outside metropolitan Melbourne
	→ no more than 4,812 (35% ¹) will be allocated to a single party for use in hotels
	→ No more than 420 will be allocated to any one club venue operator

Defined terms

The key terms used throughout this document are defined in the glossary (see section 10).

¹ 35% of the 50% (13,750) that can be allocated to hotels, the number held by any single party is calculated by the number they hold directly and the number held by persons to which they have a prescribed connection.

Introduction

The first edition of the *Gaming Machine Arrangements 2012 – Overview of the Victorian Gaming Industry* was published in March 2009.

This second edition of the *Gaming Machine Arrangements 2012 - Overview of the Victorian Gaming Industry* includes the latest information on Victoria's 2012 gaming machine arrangements, including how to prepare for the new industry, financial information relating to gaming businesses, the regulation of gaming in Victoria and gaming technology.

Where any inconsistency exists between the two documents, this document takes precedence.

The Victorian Government has set a new direction for the gaming industry in Victoria by introducing new arrangements from 2012 that will allow venue operators² to acquire and operate their own gaming machines in approved venues.

The government will allocate up to 27,500 gaming machine entitlements to venue operators. Each entitlement held will authorise venue operators to operate one gaming machine for a period of 10 years from 2012.

The method for allocating entitlements will be:

- a Pre-Auction Club Offer of a limited number of entitlements to existing eligible clubs that operated gaming machines in clubs on 4 June 2009
- a Gaming Auction open to all eligible venue operators in the second quarter of 2010.

This document has been developed specifically for those parties with an interest in operating gaming machines in a Victorian venue from 2012.

Information is provided about:

- the steps that must be taken by a prospective venue operator between now and 2012 to secure the ability to operate a gaming business in Victoria from 2012
- the new arrangements to apply from 2012, incorporating a description of the roles of a venue operator and other key industry participants

- some of the key financial considerations for the establishment and conduct of a venue gaming business from 2012 including historical gaming expenditure
- the core regulatory requirements associated with operating a gaming business.

The gaming industry in Victoria will continue to operate in a closely regulated market to ensure that the highest level of integrity is maintained with respect to industry activity. The key elements of the Victorian Government's strategy to maintain the integrity of the industry include:

- applying limits to the number of gaming machines and their distribution, to contain the level of gaming activity
- subjecting industry participants to rigorous approval and review processes
- monitoring and enforcing industry adherence to codes of conduct
- developing and implementing policies and programs to protect the legitimate rights of people to play gaming machines, while also protecting vulnerable members of the community.

The new arrangements and a closely regulated market combine to create a unique opportunity for venue operators to be involved in a gaming market that is clearly defined and open to participation.

The success of a gaming business will rely on the venue operator's capacity to integrate gaming in its overall business structure and to operate that business efficiently with a regard for customer service. The new arrangements are designed to ensure that venue operators can make their day-to-day business decisions, and are able to be innovative and efficient in conducting their gaming business while maintaining full compliance with all of the State's regulatory requirements.

² The term 'venue operator' as used in this document, refers to an entity that holds a club or hotel venue operator's licence issued by the Victorian Commission for Gambling Regulation, which enables the entity to acquire gaming machine entitlements that authorise the conduct of gaming in an approved venue.

Venues and Gaming – the Opportunity

The venue operator arrangements redefine the way in which the Victorian gaming industry will work for the term of the entitlements (10-years with an option for a two-year extension at the Minister's discretion).

Participation in the new gaming arrangements after 2012 is open to all venue operators.

A venue operator will be able to operate a gaming business in 2012 if they:

- hold a current venue operator's licence (see section 3.1)
- hold gaming machine entitlements (see section 2.1)
- have an approved venue (see section 3.3)
- have gaming machines (see section 6.1)
- connect their gaming machines to the monitoring system (see section 3.5)
- continue to meet the State's responsible gambling requirements (see section 3.6).

The timeframes for these requirements vary, and you should refer to the relevant section for further information.

The Victorian gaming industry is stable, viable, and held to the highest standards of probity and integrity.

The State is maintaining stability and certainty in terms of the number of gaming machines in the market through:

- the retention of a state-wide cap of 27,500 gaming machines
- maintenance of the existing regional caps and a commitment to limit gaming machines across all other Local Government Areas (LGAs).³

The high standards of probity required of new entrants to the market and existing industry participants keeps the industry free of criminal

influence and unacceptable business practices. The application of these standards protects the reputation of the industry to the benefit of all participants.

The structural reform being implemented provides a unique opportunity for both current and prospective venue operators to assess the market, and to plan and develop their venue based businesses for a new era of gaming in Victoria.

The new arrangements are designed to:

- provide independence to venue operators in the development and integration of gaming in a way best suited to the needs of their customers
- give control to venue operators in the decisions about their business, such as their:
 - » acquisition (purchase or lease) of gaming machines
 - » management of the costs of the business
 - » choice in the use of third party services, except with respect to monitoring services
- maintain the independence of respective industry roles to preserve the integrity of gaming.

Under the new arrangements venue operators will develop their business to best suit the needs of their customers, incorporating what they perceive to be the best mix of services and entertainment options.

In addition to gaming products, venue operators may also be able to offer patrons wagering, sports betting and keno products as entertainment options. Future holders of the Victorian Keno Licence and the Wagering and Betting Licence will be able to offer their products through licensed hotels and clubs.

³ These caps and municipal limits are currently under review.

Gaming in Victoria in 2012

The new arrangements that will be put in place for the conduct of gaming in Victoria from 2012 differ markedly from the current gaming operator arrangements.

From 2012, gaming will be conducted by venue operators (see Box 1) that have obtained gaming machine entitlements (see section 2.1) authorising the operation of gaming machines in approved venues.

Box 1: Venue Operator Definition

The term 'venue operator' as used in this document, refers to an entity that holds a club or hotel venue operator's licence (see section 3.1) issued by the Victorian Commission for Gambling Regulation (VCGR), which enables the entity to acquire gaming machine entitlements that authorise the conduct of gaming in an approved venue (see section 3.3).

Any person that is considering conducting a gaming business from 2012 will need to understand the environment in which gaming machines will operate under the new venue operator arrangements.

Box 2: Venue Operator Arrangements

The defining characteristics of the venue operator arrangements are:

- a venue operator will be required to hold a gaming machine entitlement for each gaming machine it operates
- the Pre-Auction Club Offer and subsequent Gaming Auction will be used as a basis for the Minister for Gaming to allocate gaming machine entitlements in 2010 to venue operators
- the ability to transfer entitlements subject to the transfer rules
- an increased share of gaming expenditure for venue operators⁴, in conjunction with greater responsibility for the decisions and costs associated with running a gaming business
- the introduction of a new progressive taxation regime applied to gaming revenue
- the requirement for venue operators to acquire and operate their own gaming business and to determine their own need for third party services and support
- a new independent monitoring role, with a single monitor of all venue based gaming machines to be licensed following a competitive process
- the strengthening of the regulation of the gaming industry, conducted on behalf of the State by the VCGR
- the requirement for all industry participants to develop and adhere to a responsible gambling code of conduct, to support the State in promoting responsible gambling
- the requirement for venue operators to have a self-exclusion program.

⁴ Increased share is a result of there being no gaming operators under the new arrangements.

This section contains information about:

- the system of gaming machine entitlements that will be used to authorise the conduct of gaming from 2012
- the Pre-Auction Club Offer and the Gaming Auction
- the key roles within the venue operator arrangements and how the roles relate to one another.

The new arrangements for the gaming industry described within this guide will be authorised by the *Gambling Regulation Act 2003* (the Act). Refer to Box 3 below for information about the legislative authority for the conduct of gaming in Victoria.

Box 3: Legislation and Legislative Amendments

The *Gambling Regulation Amendment (Licensing) Act 2009* (the Licensing Act), which came into operation on 24 June 2009, amended the *Gambling Regulation Act 2003* (the Act) to set out the new 2012 gaming industry arrangements.

The government released an exposure draft of the Licensing Act in December 2008 and, as a result of the public consultation, amended the Licensing Act before it was introduced into Parliament.

On 6 August 2009, the Act was further amended by the *Gambling Regulation Amendment Act 2009*, which increased the tax profit for early sale of entitlements to 75 per cent.

It is proposed that the Act be further amended by way of the *Gambling Regulation Further Amendment Bill*, which was introduced into Parliament on 11 August 2009.

Full copies of the legislation can be found at www.legislation.vic.gov.au.⁵

2.1 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.

Gaming machine entitlements will be available to eligible venue operators via the Pre-Auction Club Offer in 2009 and the Gaming Auction in 2010.

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 gaming machines
- provide for the distribution of entitlements throughout Victoria, consistent with the government's regional and municipal caps and limits.

Box 4: Gaming Auction

Gaming machine entitlements have significant revenue potential for hotels and clubs.

Bidding decisions in the Gaming Auction are matters for venue operators and should be based on sound business and financial planning.

It also gives all bidders, whether existing industry participants or those looking to enter the industry access to entitlements and the potential benefits of operating gaming machines.

For information about participation in the Gaming Auction (see section 2.3).

⁵ All persons interested in participating in the post 2012 gaming industry process should familiarise themselves with the provisions of the Act and the Licensing Act. This second edition of the *Overview of the Victorian Gaming Industry* and other documents should also be carefully read and considered before deciding whether to participate in the Pre-Auction Club Offer and/or the Gaming Auction.

2.1.1 What is an entitlement?

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

The Minister for Gaming (the Minister) is able to extend the initial 10-year term applying to gaming machine entitlements for up to two years.

2.1.2 Who is able to hold an entitlement?

Only the holder of a venue operator's licence issued by the VCGR is able to hold a gaming machine entitlement.

There are additional requirements that must be met before the holder of an entitlement may operate a gaming machine under the authority provided by the entitlement (see section 3).

2.1.3 How will entitlements be allocated?

Gaming machine entitlements will be available via a Pre-Auction Club Offer and a Gaming Auction. The Pre-Auction Club Offer (see section 2.2) will be made in October 2009 and will offer a limited number of entitlements to venue operators of existing clubs that were operating gaming machines on 4 June 2009. The Gaming Auction (see section 2.3) will be held in the second quarter of 2010.

2.1.4 Where can an entitlement be used?

Each gaming machine entitlement will be subject to two conditions, specifying:

- the geographic area in which the gaming machine may be operated
- the venue type (club or hotel) in which the gaming machine may be operated.

A gaming machine cannot be operated in a manner inconsistent with the conditions attached to the entitlement. A condition can only be varied by the VCGR. The VCGR assessment of any application to vary conditions is subject to the distribution caps set out in Box 13.

2.1.5 Transfer and trading of entitlements

Venue operators will be able to trade and transfer gaming machine entitlements to another venue operator at any time from a specified date after the allocation of entitlements.

The transfer scheme will provide eligible buyers and sellers with access to the trading market and enable sales to occur at any point in time in response to market demand.

The transfer of entitlements will be facilitated via a transfer market website operated by the VCGR.

All transfers must be recorded by the VCGR prior to finalisation and details of the transfers recorded on the transfer market website.

See Appendix A for further information about the trading and transfer of entitlements.

2.1.6 Other provisions for entitlements

It is the government's intention that, once the new arrangements commence in 2012, all entitlements are used to operate gaming machines and that those gaming machines are operated in full compliance with the State's requirements and the Act.

There are provisions that:

- deter profiteering on the short term trading of entitlements purchased via the Pre-Auction Club Offer or Gaming Auction
- provide for a process to deal with entitlement holders where they fail to pay for entitlements
- allow for entitlements to revert to the State under particular and limited circumstances, for reallocation through the transfer scheme
- ensure that entitlements are forfeited if they are not used ('use it or lose it').

For information about these provisions, see section 5.

Gaming in Victoria in 2012 (cont.)

2.2 Participation in the Pre-Auction Club Offer

On 4 June 2009, the government announced the Pre-Auction Club Offer of a limited number of gaming machine entitlements to existing clubs separate from the 2010 Gaming Auction.

The Pre-Auction Club Offer provides certainty to existing clubs about the minimum number of gaming machines they can operate by offering them the opportunity to purchase a limited number of gaming machine entitlements in advance of the Gaming Auction.

The offer will be made to eligible clubs in October 2009 and will be open for a maximum 28 day period.

The Gaming Machine Entitlement Allocation and Transfer Rules for the Pre-Auction Club Offer were gazetted on 17 August 2009 and specify the requirements for the Pre-Auction Club Offer.

2.2.1 Eligibility to participate

Only existing clubs that hold a venue operator's licence and were operating gaming machines in a club on 4 June 2009 will be offered the opportunity to purchase entitlements via the Pre-Auction Club Offer.

Participating clubs will be required to lodge a signed and completed Pre-Auction Club Offer Deed Poll document (terms and conditions) to accept the offer (see section 2.2.6).

Clubs will also be required to provide a five per cent deposit for each entitlement accepted in the form of a bank guarantee or a bank cheque (see section 2.2.7 for payment terms).

The bank cheque will be held in trust until the time the first instalment is due (within 28 days after the close of the Gaming Auction).

2.2.2 Entitlements on offer

The number of entitlements offered to a club via the Pre-Auction Club Offer will be the lesser of:

- a number equivalent to the number of gaming machines held by that club, or;
- 40 entitlements.

The number of entitlements held is determined by the number of licensed gaming machines shown as a condition on the venue operator's licence as at 4 June 2009.

2.2.3 Pricing of entitlements

The price of the gaming machine entitlements allocated through the Pre-Auction Club Offer will be based on a fixed percentage of the average annual revenue per gaming machine retained by the club in a particular venue in 2008-09.

The price will be calculated in four steps:

- taking the total gaming machine expenditure for the club in the 2008-09 financial year
- dividing it by the weighted average quantity of gaming machines permitted in the relevant venue as specified in the club's venue operator's licence during the 2008-09 financial year
- then calculating one third of this amount (retained revenue per gaming machine).
- For each of the first 20 entitlements offered, the amount is multiplied by 180 per cent and for each of the second 20 entitlements offered the amount is multiplied by 200 per cent.

Subject to confirmation from the Commonwealth, it is likely that the initial price paid for gaming machine entitlements will not be subject to GST.

2.2.4 How will the Pre-Auction Club Offer be made?

Each eligible club in Victoria was sent a letter in August 2009 with information on the number of entitlements that would be offered and the cost of each entitlement that would be payable for that club. This information was calculated using 2008-09 gaming machine expenditure data made available by the VCGR (see section 2.2.3).

Clubs were given 14 days to respond to the letter confirming the accuracy of the information. The Pre-Auction Club Offer will be made in October 2009 and will be open for a maximum 28 day period.

2.2.5 Options for eligible clubs

Clubs eligible to participate in the Pre-Auction Club Offer have the option of:

- accepting the whole Pre-Auction Club Offer by purchasing the total number of gaming machine entitlements available via the offer
- accepting part of the Pre-Auction Club Offer by purchasing a portion of the gaming machine entitlements available via the offer
- rejecting the Pre-Auction Club Offer and purchasing all of its gaming machine entitlements at the Gaming Auction.

An eligible club can still participate in the Gaming Auction regardless of which option it chooses.

2.2.6 Pre-Auction Club Offer Deed Poll

All eligible clubs wishing to accept part or all of the Pre-Auction Club Offer will need to sign and lodge a completed Pre-Auction Club Offer Deed Poll document (terms and conditions) as acceptance of the offer.

To accept the Pre-Auction Club Offer venue operators must indicate acceptance of these terms and conditions within the specified maximum 28 day period.

2.2.7 Payment terms for the Pre-Auction Club Offer

If clubs accept any part of the Pre-Auction Club Offer they will need to lodge a five per cent deposit (the first instalment) at the time they accept the offer in the form of a bank guarantee or a bank cheque.

The bank guarantee or bank cheque will be held in trust. The bank guarantee is a binding obligation undertaken by the bank to pay the deposit amount to the State.

The terms for deferred payments for club entitlements will be the same as for clubs purchasing entitlements through the Gaming Auction (see section 2.3.4):

Instalment	Clubs
First Instalment Payable within 28 days after the close of the Gaming Auction	5 per cent
Second Instalment Payable in 2012 prior to the entitlements coming into operation	5 per cent
Periodic Instalments Payable each quarter	5 per cent each quarter

Entitlement holders will be able to pay the amount owing for entitlements early at their discretion without penalty. No interest is payable on amounts owing for an entitlement where the club is making payments that comply with the progressive payments outlined above.

Where an entitlement holder fails to comply with the agreed payment terms (see section 5.2.3) the entitlement holder risks paying interest or the forfeiture of entitlements.

2.3 Participation in the Gaming Auction

Under the authority of the Act, gaming machine entitlements will be available for purchase by eligible venue operators via the Gaming Auction to be held in the second quarter of 2010.

Box 5: Phases of the Gaming Auction

- Potential bidders register to bid
- Training is conducted for registered bidders
- Registered bidders are assessed for eligibility to bid
- Eligible bidders participate in the Gaming Auction and bid for entitlements specific to a geographic area and venue type
- Payment terms are settled, each venue operator signs agreements with the Minister and gaming machine entitlements are allocated to venue operators
- The VCGR registers the allocation of entitlements.

Gaming in Victoria in 2012 (cont.)

2.3.1 Registering to bid

To bid for entitlements in the Gaming Auction, potential bidders must register their interest with the State during the bidder registration period. The process for registration will be set out in the Bidder Information Pack, which will be released in October 2009. Public notices will be published and information will be posted on the Gambling Licences Review website announcing the release of the Bidder Information Pack and the opening of the bidder registration period. An announcement will also be made via the *Gaming Machine Industry Bulletin*. Stakeholders can subscribe to the *Gaming Machine Industry Bulletin* by registering on the Gambling Licences Review website: www.gamblinglicences.vic.gov.au.

When registering, prospective bidders must:

- nominate the representatives that will bid for entitlements on behalf of the venue
- nominate their preferred training dates, based on the training dates available
- lodge a signed and completed Gaming Auction Deed Poll document to indicate acceptance of the terms and conditions for participation in the Gaming Auction (see section 2.3.2.2)
- confirm that either:
 - » a current venue operator's licence is held or
 - » an application for a venue operator's licence has been lodged with the VCGR or is about to be lodged
- nominate the markets in which they propose to bid.

Registering to bid does not provide an automatic right to bid for entitlements. Those registered must satisfy the State's eligibility requirements.

2.3.2 Eligibility to bid

Those registered to bid will not be able to participate in the Gaming Auction unless they have met the bidder eligibility requirements as set out in Box 6.

Box 6: Bidder Eligibility Requirements

To participate in the Gaming Auction it will be necessary to:

- possess a current venue operator's licence
- lodge a signed and completed Gaming Auction Deed Poll document
- nominate bidder representatives
- complete bidder training
- nominate markets in which they wish to bid
- pay a default bond per nominated market.

2.3.2.1 Venue operator's licence

To be eligible to bid for gaming machine entitlements, it is necessary to hold a venue operator's licence.

Changes to the Act mean there are now two types of venue operator's licence:

- a club venue operator's licence
- a hotel venue operator's licence.

The term of the venue operator's licence has been extended from five years to ten years. Venue operators with an existing venue operator's licence that meet the requirements set out in the legislation will automatically be deemed a club venue operator licensee or a hotel venue operator licensee by the VCGR.

Interested parties that do not already hold a venue operator's licence are encouraged to apply for one as soon as possible, as the time required to process an application can be lengthy. The VCGR advise that processing usually takes a minimum of four months. By submitting an application to the VCGR as soon as possible, venue operators are increasing the likelihood that their applications can be processed in time to meet the bidder eligibility requirements.

Enquiries to the VCGR can assist a prospective bidder in preparing an application that is complete and accurate at the time of lodgement, in order to prevent delays in processing.

See section 3.1 for further details.

2.3.2.2 Gaming Auction Deed Poll

All venue operators will need to lodge a completed and signed Gaming Auction Deed Poll (terms and conditions) before they can bid for gaming machine entitlements. The Gaming Auction Deed Poll will be contained in the Bidder Information Pack, available in October 2009.

Venue operators must indicate their acceptance of the provisions in the Gaming Auction Deed Poll at the time of registering to bid (see section 2.3.1).

2.3.2.3 Mandatory bidder training

The government will provide free training sessions in early 2010 to registered bidders to provide them with information about the Gaming Auction and how to use the Gaming Auction system. Bidder training is a compulsory requirement for any venue operator interested in bidding for gaming machine entitlements.

Information about the training and the timing of the training will be made available to registered bidders later in 2009.

2.3.2.4 Default bond

To participate in the Gaming Auction each bidder is required to pay a default bond for each market they bid in. A market is made up of a designated area and a venue type (hotel or club). There will be 178 markets in the Gaming Auction – 88 geographical areas multiplied by two venue types (see appendix E).

A default bond will be set at \$5,000 per market for clubs and \$10,000 per market for hotels.

This means, for example, that if a club wants to bid in three club markets it would have to pay three default bonds (\$15,000) while a hotel bidding in three hotel markets would have to pay three default bonds (\$30,000).

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

- successful in obtaining entitlements, the default bond can be offset against the deposit (first instalment) payable for entitlements
- unsuccessful in obtaining entitlements, the default bond will be refunded as soon as possible, following the completion of the Gaming Auction.

A successful bidder will forfeit their rights to retrieve the default bond if they fail to pay the required deposit (first instalment) for the entitlements within 28 days after the close of the Gaming Auction.

To deter speculative bidding, any bidders who default on a successful bid will be liable for the full amount of their bid. Deducted from that amount will be any amounts already paid by the bidder, such as the default bond and instalment payments, and any amount the government may receive from re-selling the entitlement/s via the transfer market. More information about the default bond will be available in the Bidder Information Pack released in October 2009.

2.3.3 Obtaining entitlements through the Gaming Auction

Registered bidders who have met the bidder eligibility requirements are able to participate in the Gaming Auction and may bid for entitlements.

The State has specified a minimum price that it will accept as the opening bid for each entitlement.

A separate opening bid price has been set for club entitlements and hotel entitlements, being:

- \$5,500 for each club entitlement
- \$11,000 for each hotel entitlement.

At the close of the Gaming Auction, each bidder will know:

- the number of entitlements for which they have successfully bid
- the geographic area conditions and venue type conditions to which the gaming machine entitlements are subject
- the total price bid for the entitlements.

Subject to confirmation from the Commonwealth, it is likely that the initial price paid for gaming machine entitlements will not be subject to GST.

Detailed information about the system and rules for the Gaming Auction will be provided in the Bidder Information Pack available in October 2009.

Gaming in Victoria in 2012 (cont.)

2.3.4 Payment terms for the Gaming Auction

Successful bidders are able to pay for entitlements via a deferred payment option based on a fixed schedule of instalments.

Instalment	Clubs	Hotels
First Instalment Payable within 28 days after the close of the Gaming Auction	5 per cent	10 per cent
Second Instalment Payable in 2012 prior to the entitlements coming into operation	5 per cent	10 per cent
Periodic Instalments Payable each quarter	5 per cent each quarter	5 per cent each quarter

Entitlement holders will be able to pay amounts owing for entitlements early at their discretion without penalty.

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

Where an entitlement holder fails to comply with the agreed payment terms (see section 5.2.3) the entitlement holder risks paying interest or the forfeiture of entitlements.

2.4 Allocation and registration of entitlements

The Minister will allocate entitlements following the Gaming Auction.

The VCGR is responsible for registering entitlements when all of the requirements for the allocation of gaming machine entitlements have been met.

2.4.1 Allocation of entitlements

The entitlements that a club has purchased through the Pre-Auction Club Offer or that a venue operator has purchased in the Gaming Auction will be allocated after the venue operator meets all the relevant requirements including signing the Minister's Agreements relating to the payment terms

and the subsequent use of entitlements. Completed forms must be signed and lodged within 28 days after the close of the Gaming Auction along with the required deposit (see sections 2.2.7 and 2.3.4).

The Minister will only allocate club gaming machine entitlements to a venue operator that holds a club venue operator's licence.

2.4.2 Registration of entitlements

The VCGR will register the allocation of all entitlements and maintain the register.

Data recorded in the register will include:

- the day that the gaming machine entitlement was allocated
- the name and address of the venue operator to which the gaming machine entitlement was allocated
- the geographic area conditions and venue conditions to which the gaming machine entitlement is subject.

2.5 Roles within the gaming industry

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

- **Venue operators** – those authorised to operate gaming machines in approved venues (see section 3.3) as a result of holding entitlements and meeting all of the requirements (see section 3).
- **Independent Monitor** – an independent licensed entity responsible for monitoring gaming machines (see section 2.5.2).

Both venue operators and the independent Monitor will have an ongoing day-to-day role under the venue operator arrangements, which differentiates them from other industry participants.

Other industry participants include:

- **Manufacturers and suppliers of gaming machines** – accredited businesses from which venue operators will acquire gaming machines (see section 2.5.3.)

- **Providers of venue management services** – independent businesses that can offer their expert venue management services to venue operators
- **Providers of other ancillary services** – independent businesses that can offer a range of third party services to venue operators, including (but not limited to) business analysis, marketing, accounting, training and development and loyalty systems (see section 2.5.4).

Venue operators will be responsible for ascertaining their own requirements for venue management services and other ancillary services based upon their needs. The State does not require a venue operator to utilise any services, other than monitoring, as a condition of operating a gaming business.

Under no circumstances can a fee payable by a venue operator to a service provider be calculated by reference to gaming revenue (see section 2.5.7).

2.5.1 Venue operators

Each venue operator will be responsible for:

- meeting all approval processes
- purchasing gaming machine entitlements
- acquiring gaming machines
- arranging to be connected to the monitoring system
- operating gaming machines
- complying with all legislative requirements associated with operating a gaming business
- developing and implementing a responsible gambling code of conduct and self-exclusion program and promoting responsible gambling.

For details about the steps that a venue operator must take in order to operate a gaming business from 2012 refer to section 3.

2.5.2 Independent Monitor

The government proposes to appoint a single independent monitoring licensee (the Monitor) to operate from the commencement of the new industry arrangements.

The independent Monitor will provide a monitoring system to which all gaming machines in Victorian venues must be connected before a game can be played on the gaming machine.

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

The independent Monitor will be required to:

- monitor gaming machine transactions to detect significant events associated with each gaming machine
- continuously record, monitor and control significant game play transactions and record revenue generated from each gaming machine
- 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, if directed by the Minister
- provide all hardware, software and infrastructure required for the operation of the monitoring system
- facilitate linked jackpot systems in Victoria.

Part of the Monitor's role will include the provision of data to assist venue operators to calculate the tax that they must pay each month.

Subject to the restrictions defined in Figure 2, the State's structural requirements and applicable laws, the Monitor⁶ will not be prevented from offering other services to venues, in addition to those required under the terms of the monitoring licence. Venue operators will not be obliged to use the Monitor for any of these additional services.

⁶ The State has expressed a preference that the Monitor be a special purpose vehicle, if this is the case, the services may not be provided by the Monitor but can be provided by the Monitor's related entity. This requirement together with the associate and cross ownership restrictions are referred to without limitation, throughout this document as the "State's structural requirements". Where a reference is made to an activity being allowed it must be construed as being subject to the State's structural requirements.

Gaming in Victoria in 2012 (cont.)

2.5.2.1 Monitoring licence awarding process

It is intended that the monitoring licence will be awarded in early 2010, to facilitate transition to the new industry arrangements in 2012.

There will be a competitive process for the awarding of the monitoring licence.

The monitoring licence will be for a term of 15 years. As with the gaming machine entitlements, the Minister is able to extend the initial term of the licence for up to two years.

2.5.3 Manufacturers and suppliers

The new venue operator arrangements provide for venue operators to purchase or lease gaming machines directly from manufacturers or suppliers or make alternative arrangements for the acquisition of gaming machines for their venues. This could include arranging bulk purchases through a peak body or contracting a third party service provider to facilitate the purchase of gaming machines on their behalf.

It is an offence under the Act for a manufacturer or supplier to offer inducements for the use or purchase of their products or services. The VCGR will monitor and investigate any allegations of incentives being offered by manufacturers or service providers to venues.

Manufacturers will be required to publish standard price lists, including bulk discount rates.⁷ The VCGR will regulate industry compliance with this requirement.

2.5.4 Ancillary services providers

Venue operators may obtain a range of third party services (for example, marketing and business analysis) to support the management and operation of their business.

The Monitor⁸ is able to offer other services to venues (except venue management services⁹), in addition to the monitoring services that it is required to provide as a condition of holding the monitoring licence.

Each venue operator is responsible for determining their own need for specialist services and for

deciding which service provider is best able to meet their individual business needs.

An indicative list of some of the services that a venue operator may seek to utilise is presented in Appendix B.

2.5.5 Victorian Commission for Gambling Regulation

The VCGR is the independent gambling regulator, and will continue to regulate the industry under the new arrangements.

The regulatory function performed by the VCGR will continue to ensure that the government's policy on gambling is implemented. In relation to gaming machines, the VCGR's regulatory functions include:

- the management of approval processes, including venue operator licensing
- a range of matters related to entitlements
- maintenance and enforcement of the compliance requirements that apply to venue operators, including those that relate to responsible gambling.

Further details about the regulatory function are provided in section 5.

Box 7: Regulation of Third Party Service Providers

The Act currently provides for the regulation of service providers that are in a position to influence the fairness of games.

- Manufacturers, suppliers and testers of gaming machines are required to be listed on the *Roll of Manufacturers, Suppliers and Testers (the Roll)*: see Appendix C. This provision also applies to second hand dealers of gaming machines.
- Persons engaged in servicing, repairing and maintaining gaming machines must hold a gaming industry employee's licence.

⁷ Subject to the passage of legislation.

⁸ Subject to the State's structural requirement.

⁹ The Monitor is able to offer other services to venues except venue management services, which would offend the associate provisions of the Act.

2.5.6 Independence of industry roles

To protect the integrity of the industry and to promote good business practices, there will be restrictions on the overlap of roles within the gaming industry. Figure 2 shows how the independence of roles is defined, identifying where overlap between roles will be allowed and where overlap will be restricted.

Figure 2: Principal Constraints on Industry Involvement in Gaming¹

Primary Role	Can also...	Cannot also...
Venue Operator	provide venue management services to other venue operators AND provide ancillary services to other venue operators	be the independent Monitor OR be listed on the Roll
Monitor	provide ancillary services ²	be a venue operator OR provide venue management services OR be a manufacturer of gaming machines OR provide gaming machine testing services
Manufacturer	provide ancillary services	be a venue operator OR provide venue management services OR be the independent Monitor
Venue Management Service Provider	be a venue operator AND provide ancillary services	be the independent Monitor OR be a manufacturer of gaming machines
Ancillary Services Provider	be a venue operator AND provide venue management services ³ OR be a manufacturer of gaming machines OR be the independent Monitor	

Notes

1. Constraint as shown may not take into account any associate relationships that may have the effect of prohibiting the activity.
2. Subject to the State's structural requirements.
3. If the ancillary services provider is the Monitor, or is a related person of the Monitor or its associate, it cannot provide venue management services. A person listed on the Roll, or its associates, cannot provide venue management services.

The holder of the casino licence in Melbourne will not be able to hold the monitoring licence or operate gaming machines outside of the casino.

2

Gaming in Victoria in 2012 (cont.)

2.5.7 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, profit sharing arrangements are prohibited.

A venue operator is not permitted to procure services where the payment terms for the provision of those services is calculated by reference to gaming revenue.

This restriction prohibits all agreements (encompassing agreements, arrangements or understandings) where payment is calculated by reference to gaming revenue. This includes (but is not limited to) situations where:

- a venue operator enters into an agreement with a professional venue management company
- the landlord of an approved venue enters into an arrangement with a venue operator
- a venue operator enters into an agreement with another company for that company to finance the purchase of gaming machine entitlements.

Where a venue operator enters into a profit sharing arrangement, they will be in breach of the Act and will be subject to disciplinary action under the Act. A prohibited profit sharing arrangement to which the venue operator is a party is void.

No compensation will be payable by the State to any person who has entered into a prohibited profit sharing arrangement. 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.

Preparing to Operate a Gaming Venue from 2012

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 arrangements. In particular, a venue operator must:

- hold a current club or hotel 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
- comply with all legislative and regulatory requirements, including those designed to promote responsible gambling (see section 3.6).

Figure 3 sets out the requirements that must be met before a gaming business can be operated. The list also identifies those requirements that must be met by a venue operator in order to bid for and be allocated entitlements.

The separate processes for a venue operator's licence and venue approval can be lengthy. Prospective bidders in the Gaming Auction that do not have a venue operator's licence or a venue approval are advised to seek the necessary approvals as soon as possible, to ensure that they:

- meet the eligibility requirements for participation in the Gaming Auction in 2010
- are ready to commence gaming operations on the day that the new arrangements commence, in 2012.

Figure 3: Requirements for Operating a Gaming Business from 2012

Requirement	For further information
To Participate in the Pre-Auction Club Offer	
Hold venue operator's licence	See section 3.1
Operate gaming machines in an eligible club on 4 June 2009	See section 2.2.1
Lodgement of signed and completed Pre-Auction Club Offer Deed Poll	See section 2.2.6
Provide bank guarantee or bank cheque of five per cent of the total amount	See section 2.2.7
To bid in the Gaming Auction	
Hold venue operator's licence	See section 3.1
Register to bid	See section 2.3.1
Lodgement of a signed and completed Gaming Auction Deed Poll	See section 2.3.2.2
Complete bidder training	See section 2.3.2.3
Pay default bond(s) for each market	See section 2.3.2.4
For allocation	
Sign the Minister's Agreements	See section 2.4.1
Pay the first instalment for entitlements	See sections 2.2.7 & 2.3.4

Preparing to Operate a Gaming Venue from 2012 (cont.)

Requirement	For further information
To operate	
Pay all outstanding amounts for entitlements as they fall due	See section 2.2.7 & 2.3.4
Operate a premises to which a general or club liquor licence under the <i>Liquor Control Reform Act 1998</i> or a racing club licence under the <i>Racing Act 1958</i> applies	See section 3.3
Hold venue approval under the Act for the venue in which the gaming machines are to be used	See section 3.3
Hold planning and liquor permit from the local council (where applicable)	See section 3.3.1
Hold gaming machine entitlements	See section 3.2
Acquire gaming machines	See section 3.4
Connect to the monitoring system	See section 3.5

3.1 Venue operator's licence

A venue operator's licence authorises the licensee to manage and operate an approved gaming venue.

Under the new legislation there are now two types of venue operator's licence:

- a club venue operator's licence and
- a hotel venue operator's licence.

Any entity proposing to purchase gaming machine entitlements must hold either a club or hotel venue operator's licence.

Existing venues with a venue operator's licence that meet the legislative requirements will automatically be deemed by the VCGR to hold either a club venue operator's licence or a hotel venue operator's licence.

The VCGR is responsible for assessing applications for a venue operator's licence.

3.1.1 When to apply for a venue operator's licence?

Any party proposing to bid for entitlements that does not already hold a venue operator's licence should submit a fully completed application for a licence as soon as possible. Applications usually take a minimum of four months to process.

Venue operators should contact the VCGR now to obtain further information about the steps that they need to take.

Box 8: Cut-off for Licence Applications

A party cannot bid for entitlements unless they hold a venue operator's licence.

- It is strongly recommended that any party intending to bid for entitlements apply for a venue operator's licence now (unless a current licence is held).
- Contacting the VCGR early will assist ensuring an application is complete, to avoid procedural delays.
- The VCGR advises that it takes a minimum of four months to process application for a venue operator's licence and may take longer.

Irrespective of when a licence application has been submitted, the State is unable to provide any assurance that an application for a venue operator's licence:

- will be approved
- will be approved in time to enable participation in the Gaming Auction.

Prospective bidders who do not currently hold a venue operator's licence should contact the VCGR now, for advice on the application process. This will assist in reducing the likelihood of procedural delays occurring in the processing of the application.

The three main areas of potential delay are:

- getting the national police checks, which can take four weeks (and must be obtained by the applicant prior to lodging the application)
- the applicant not fully completing the application
- the applicant changing its associates after the application is lodged (for example, new members elected to the Board).

The onus is on the applicant to ensure that the application complies with all procedural requirements fully and expeditiously, in order to reduce the risk of procedural delay. It is important to respond fully to information requests from the VCGR, without delay.

3.1.2 Who may apply for a venue operator's licence?

It is not necessary to operate a venue or to have access to a venue to apply for a venue operator's licence.

Any party that is not a 'natural person' can apply for a venue operator's licence. A 'natural person' is a person or group of persons who are not a corporate entity. This means that a venue operator's licence cannot be issued to a private individual in addition to a range of other entities included in the definition of a 'natural person'.

When applying for a club venue operator's licence, a club will be required to show it is 'not for profit' and established for a community purpose. It will also need to provide any other information the VCGR requires to consider the applicant's request and confirm it is a bona fide club.

The casino operator of the Melbourne Casino cannot apply. For information about other exclusions, refer to section 2.5.6.

3.1.3 Assessment of licence applications

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. In assessing a licence application the VCGR will consider:

- the applicant's reputation in terms of character, honesty and integrity
- the reputation and suitability of the applicant's relevant associates (this may include co-directors, shareholders, club committee members, employees or partners) in terms of their character, honesty and integrity
- in the case of organisations, the ownership, financial or corporate structure
- whether the applicant has business associations to people or organisations of poor repute
- whether the applicant has access to undesirable or unsatisfactory financial resources
- the applicant's proposed code of conduct for responsible gambling and self-exclusion program.

Box 9: Impact of Organisational Change on Licence Applications

Prospective bidders who have lodged an application for a venue operator's licence should, to the extent possible, avoid major organisational changes until after the application has been determined, as this would require a new application to be submitted. Similarly, any new associates would be required to submit individual probity information, that the VCGR must assess before considering an application. Changes to associates, made after the licence application has been determined, can be submitted to the VCGR for approval at that time.

For information about how to apply for a venue operator's licence visit the VCGR website at: www.vcgr.vic.gov.au.

Preparing to Operate a Gaming Venue from 2012 (cont.)

3.1.4 Existing venue operator licence holders

Amendments to the legislation provide for the term of all existing venue operator's licences to be automatically extended from five to 10 years (from the date of issue), to bring the licences in line with the term of gaming machine entitlements. All new venue operator licences will be for 10 years.

3.2 Gaming machine entitlements

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

- the Pre-Auction Club Offer
- the Gaming Auction or
- the transfer scheme.

A single gaming machine will be able to be operated for each gaming machine entitlement held. Gaming machine entitlements can only be operated by a venue operator in the approved venue specified on the venue operator's licence.

Each gaming machine entitlement will provide the authority to operate a single gaming machine in a specific geographic area and in a specific type of venue (hotel or club). See section 2.2 and 2.3 for information about the allocation process for entitlements.

3.3 Access to an approved venue

Venue operators do not require access to 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 operating gaming machines from 2012.

The requirement to have an approved venue is satisfied where:

- a venue operator has access to a venue approved for gaming prior to 2012
- after receiving an allocation of entitlements, a venue operator obtains approval for the proposed gaming venue
- a venue operator obtains access to an approved venue owned by another party.

While an application for venue approval can be made at any time, it is recommended that applications are made as soon as possible, to minimise any delay to the commencement of gaming operations.

A further application for the approval of a venue for gaming will be required if the venue operator is proposing to increase the number of gaming machines above that currently approved for the venue.

Box 10: Acquisition of a Venue

A party that acquires a venue does not inherit the right to operate the machines already in operation there. A venue operator's licence is not transferable.

It is necessary for a new venue operator to obtain its own venue operator's licence, if a current licence is not already held, and purchase entitlements.

Venue operators should note that no more than one venue operator is able to operate gaming machines in an approved venue. Once a venue has been approved for gaming, the venue operator's licence must be amended to specify the venue, before gaming can be conducted there. An approved venue cannot be specified on more than one venue operator's licence.

3.3.1 Current approval process

The VCGR is currently responsible for assessing applications and approving venues for the conduct of gaming.

In addition to obtaining approval from the VCGR for a proposed venue, a venue operator will also be required to separately obtain:

- all necessary planning permits required by the relevant local council
- a general or club liquor licence or a racing club licence.

Potential bidders for gaming machine entitlements need to be aware that there are separate approval processes applicable to a prospective gaming venue:

- venue approvals are issued at the discretion of the VCGR and are independent of a venue operator's licence. That is, holding a venue operator's licence does not influence a venue approval decision
- planning permits for gaming machines are issued at the discretion of local councils. A planning permit can be applied for at any stage in the process. Each council will have a gaming policy. Venue operators should be familiar with the relevant local council policy
- liquor licences are issued at the discretion of the Director of Liquor Licensing. If venue operators do not have a premises with a liquor licence, they should make themselves aware of the liquor licensing requirements.

Planning Permits

It should be noted that the approval process conducted by the VCGR considers the suitability of the premises for gaming. This is separate to the process for the issue of planning permits by local councils.

Potential bidders should note that planning approvals for establishing and operating gaming venues are given at the discretion of councils,

subject to the Victorian Planning Provisions and local planning schemes. Councils are not obliged to issue permits for the number of gaming machines allowed under State legislation.

Liquor Licensing

Box 11: Liquor Licence Requirements

To be eligible to be approved for gaming, one of the following licences must be in force for a venue:

- a general licence under section 8 of the *Liquor Control Reform Act 1998*
- a club licence (whether full or restricted) under section 10 of the *Liquor Control Reform Act 1998*
- a licence under Part I of the *Racing Act 1958*.

The Director of Liquor Licensing is responsible for liquor licensing. For further information visit www.consumer.vic.gov.au.

3.3.2 Future approval process

Subject to passage of the Gambling Regulation Further Amendment Bill 2009, the process for consideration by the VCGR of applications for approval of premises and increases in the existing number of gaming machines will be streamlined.

The proposed changes will minimise delays in the consideration of applications by setting time limits on various stages of the application process and providing for certain applications to be determined by the VCGR without the need for a public inquiry.

The *Gaming Machine Industry Bulletin* provides information about gaming machine arrangements and is the best source of information about decisions made between the release of major market documents, such as this. Interested parties can subscribe to the *Gaming Machine Industry Bulletin* at www.gamblinglicences.vic.gov.au.

Preparing to Operate a Gaming Venue from 2012 (cont.)

3.4 Acquisition of machines

A venue operator that holds gaming machine entitlements may purchase or lease gaming machines directly from an approved manufacturer or supplier, or via an agent or a representative body.

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.¹⁰ The VCGR will regulate industry compliance with this requirement.

It is an offence under the Act for a manufacturer or supplier to offer inducements for the use of their products or services. The VCGR will monitor and investigate any allegations that incentives have been offered by a manufacturer or supplier to venues.

3.5 Connection to the monitoring system

A gaming machine cannot be operated until it is connected to the monitoring system provided by the independent Monitor.

It is intended that the monitoring licence and related agreements will require the Monitor to provide the necessary hardware, software and infrastructure to connect gaming machines to the monitoring system.

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

The venue operator is required to pay a monitoring fee to the Monitor (see section 4.4.4). This fee will be advised when the new monitoring licence is awarded.

3.6 Responsible gambling requirements

The government has a strong record in combating the harm caused by problem gambling. It has put in place an array of measures to combat problem gambling that have resulted in a more responsible gambling industry in Victoria. These include:

- fixing maximum density limits on the number of gaming machines in specified regional areas
- elimination of 24-hour gaming venues outside the Melbourne Casino
- changes to the configuration of gaming machines (for example, a ban on autoplay facilities and a spin rate limit)
- 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 \$1,000 (except at the Melbourne Casino).

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.

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.

It is the responsibility of a venue operator to be familiar with all current requirements and to comply with them. Detailed information can be found on the VCGR website at: www.vcgr.vic.gov.au. Venue operators should obtain advice from the VCGR on how to ensure compliance.

The following provides an outline of some of the responsible gambling requirements of which venue operators need to be aware.

¹⁰ Subject to the passage of legislation.

3.6.1 Responsible gambling code of conduct

New provisions under the Act require existing and new venue operators, as well as other gambling providers such as lottery, keno and wagering licensees, to have an approved responsible gambling code of conduct.

As part of this requirement, the Minister has issued directions to the VCGR.

The directions set out the standards and requirements that a code of conduct must meet and also include guidelines as to suggested ways of satisfying the standards and requirements.

The VCGR has developed criteria and benchmarks that will be applied in assessing whether the legislative requirements have been met.

The directions and the VCGR criteria and benchmarks are available on the VCGR website at: www.vcgr.vic.gov.au.

3.6.2 Requirement for self-exclusion program

New provisions under the Act require existing and new venue operators to have a self-exclusion program.

As part of this requirement, the Minister has issued directions to the VCGR.

The directions set out the standards and requirements that a self-exclusion program must meet and also include guidelines as to suggested ways of satisfying the standards and requirements.

The VCGR has developed criteria and benchmarks that will be applied in assessing whether the legislative requirements have been met.

The directions and the VCGR criteria and benchmarks are available on the VCGR website at: www.vcgr.vic.gov.au.

3.6.3 Restrictions on access to cash

The current restrictions on access to cash in gaming venues are:

- a prohibition on cash facilities that allow a person to obtain more than \$200 per transaction
- a ban on cash facilities that allow a person to obtain a cash advance from a credit facility
- a requirement that \$1,000 or more of accumulated credits must be paid by cheque
- a requirement that accumulated credits must be paid by cheque on request
- a ban on cashing cheques for patrons for the purpose of playing gaming machines.

Banning ATMs from all gaming venues

From 1 January 2010, automatic teller machines (ATMs) that do not limit withdrawals to \$400 per card per 24 hour period are prohibited.

From 1 July 2012, all ATMs in all gaming venues will be prohibited unless the venue has an approval from the VCGR. Approvals can only be granted to venues in regional and rural areas where there are no other reasonable alternatives to cash facilities.

In the case of the Melbourne Casino, or where an approved venue is on a race course, an ATM can be provided, however it must not be located within 50 metres of an entrance to the casino or the gaming machine area.

3.6.4 Premise requirements

Gaming venues must meet a range of standards in relation to their physical environment. For example:

- displaying the time of day
- prescribed lighting requirements
- display of prescribed printed material.

Preparing to Operate a Gaming Venue from 2012 (cont.)

3.6.5 Obligation to protect minors

A person aged under 18 is not permitted to be in the gaming machine area of a gaming venue and is prohibited from playing gaming machines. There are strict penalties imposed if a minor is permitted to access the gaming machine area of a gaming venue.

The *Gambling Legislation Amendment (Responsible Gambling and Other Measures) Act 2008* increased 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. These increased penalties apply from 1 June 2009.

3.6.6 Restrictions on advertising

Prohibition on gaming machine advertising

Advertising of gaming machines outside the gaming machine area of a venue is prohibited.

Prohibition on trade promotion lotteries

Venue operators will be prohibited from including spending on gaming machines as part of any eligibility requirement for entry into a trade promotion lottery.

3.6.7 Physical gaming machine requirements

Gaming machines must comply with a range of prescribed requirements including:

- a prohibition on banknote acceptors that accept denominations greater than \$50
- a ban on autoplay
- a spin rate limit of no less than 2.14 seconds
- a requirement to display the time
- a requirement to display electronic game information, including cash in, credits played, credits won, the session win or loss and the length of the session of play.

Pre-commitment

The pre-commitment mechanism introduced by the government will enable a person to choose to set time and loss limits prior to commencing play on a gaming machine.

This is in addition to any pre-commitment arrangements made under a venue's code of conduct.

It will be implemented in three phases:

- pre-commitment will be required for all next generation machines from 1 December 2010
- pre-commitment will be required for all machines from 2013
- a more stringent pre-commitment regime will be rolled out from 1 December 2015.

The government is committed to implementing an effective pre-commitment system that does not impose a prohibitive cost on venues and will consult with stakeholders, particularly via the Responsible Gambling Ministerial Advisory Council to ensure that this objective is achieved. For further information visit the Department of Justice website: www.justice.vic.gov.au.

Halving the maximum bet limit on gaming machines

A \$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).

Financial Information Relating to a Gaming Business

The conduct of gaming in venues has been permitted in Victoria since 1992, and in the time since its inception, the Victorian gaming industry has remained strong and viable. The gaming industry provides employment for thousands of Victorians and makes a significant contribution to the State's economy. In 2008-09, gaming expenditure¹¹ on gaming machines amounted to more than \$2.7 billion, generated at 522 venues across Victoria.

It is recognised that hotels and clubs offer customers a range of services beyond gaming.

Any venue operator that is considering operating a gaming business from 2012 is likely to evaluate the value of a gaming business in the context of the full spectrum of services offered by that venue to their customers.

To integrate gaming machines within their business structure, a venue operator needs to consider the market scope, revenue, costs and cash-flow

associated with their proposed gaming business.

Figure 4 presents an illustration of these flows.

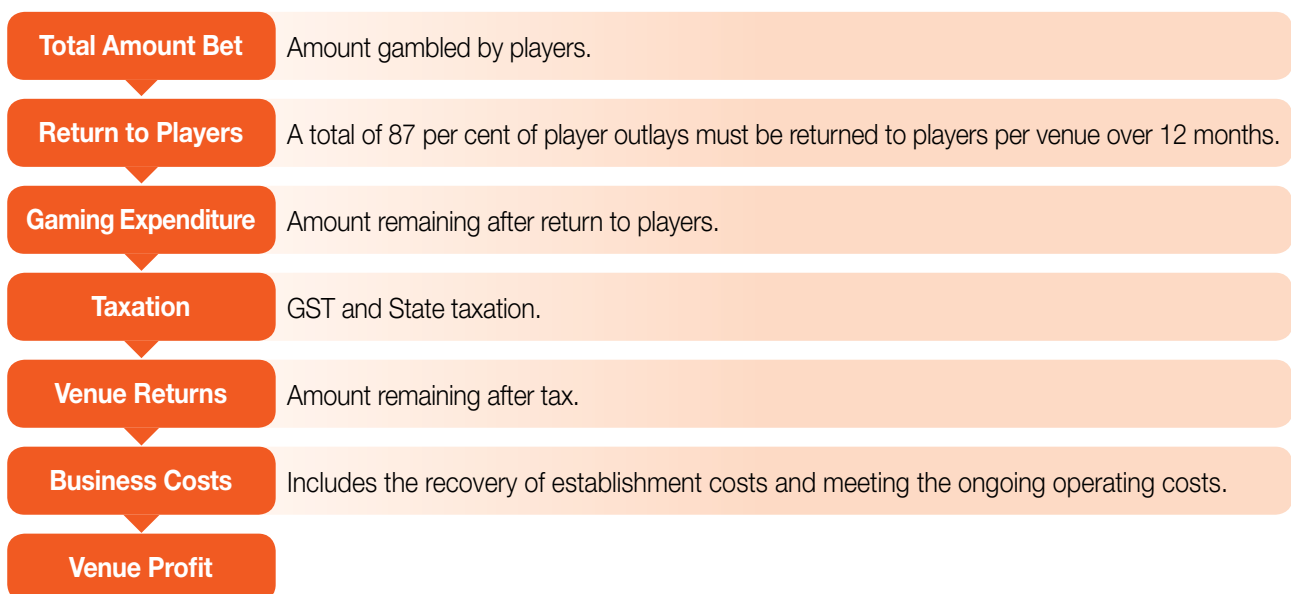
This document, including the market and financial data, has been prepared to provide information to potential bidders for gaming machine entitlements so that they can make informed decisions about:

- whether or not to purchase entitlements through the Pre-Auction Club Offer and/or the Gaming Auction
- the commercial value of the entitlements on offer.

The data in this section is provided for information only.¹² It is recommended that each venue operator make their own independent enquiries and consult with their accountant or financial advisers.

The data provided throughout this section is drawn from government statistics collected by a number of agencies.

Figure 4: Financial Distribution Relating to a Gaming Business



¹¹ Gaming expenditure is the total amount gambled minus the amount returned to players in winnings.

¹² The information provided in this section is provided for information only and must not be construed as a warranty or representation of future performance or expectations as to a gaming business in Victoria.

Financial Information Relating to a Gaming Business (cont.)

Box 12: Business Education Program

The government is delivering a free Business Education Program to assist venue operators in preparing for participation in gaming under the new arrangements.

The program commenced in July 2009. For further information about the Business Education Program refer to section 7.1 or visit: www.businessvictoria.vic.gov.au/gaming.

This section provides information about:

- the size of the market and the limits that apply to the number of gaming machines permitted (both state-wide and at a local level)
- the capacity of gaming businesses to generate revenue (gaming expenditure) through the operation of gaming machines
- the new progressive taxation scheme that will apply to gaming expenditure
- some of the key areas of cost associated with establishing and operating a gaming business.

4.1 Market size

This section provides data to assist venue operators in assessing the potential size of the market in which they plan to operate. Two factors that contribute to an assessment of the size of the market are:

- the population size and projections for population growth
- the State limits on the number of gaming machines that may operate state-wide and in each Local Government Area.

4.1.1 Population trends

The Victorian population is projected to be more than 5.6 million in 2012, when gaming under the new venue operator arrangements will commence.

Figure 5 shows that a significant increase in the Victorian population is expected over the 10 year life of gaming entitlements beginning in 2012. Over this 10 year period:

- the total Victorian population is predicted to increase by nearly 14 per cent
- growth is expected to be strongest in metropolitan areas, with an average population increase of 15 per cent predicted
- forecast population growth for regional areas is expected to remain strong, at about 11 per cent.

Refer to Appendix D for details of the population projections for individual Statistical Divisions and the LGAs within the Melbourne Statistical Division.

Figure 5: Victorian Population Projections to 2022 (000s)

Geographic Area	2009	2012	2017	2022
Total population	5,381.1	5,628.5	6,021.4	6,409.6
Metropolitan population	3,947.7	4,145.9	4,459.2	4,764.8
Regional population	1,433.4	1,482.5	1,562.2	1,644.7

Source: Department of Sustainability and Environment, 2009.

Notes

1. Base data: these projections are based on analysis from the 2006 Census of Population and Housing.
2. Assumptions: the projections were calculated on the basis of assumptions with respect to fertility, mortality, overseas migration, interstate migration and intrastate migration.

4.1.2 Gaming machine caps and limits

The State regulates the number of gaming machines that may be operated across Victorian venues to:

- promote the broad distribution of the financial benefits of gaming to the Victorian community
- support the State's commitment to responsible gambling.

Box 13 sets out the caps and limits that will apply to gaming machine numbers in Victoria from 2012.

Box 13: Gaming Machines Numbers

The cap on the total size of the gaming market has not changed in 13 years and strict regulations apply to the distribution of gaming machines across the State:

- the total number of gaming machines that can be operated at Victorian venues (outside the Melbourne Casino) is capped at 27,500
- no more than 50 per cent of this total can be operated at either clubs or hotels (i.e. 13,750 cap for clubs and 13,750 cap for hotels)
- no less than 20 per cent (i.e. 5,500) of the total can be operated outside metropolitan Melbourne
- regional caps¹³ on gaming machines apply to 19 defined regions (see Appendix E) and from 2010 municipal limits will apply to all uncapped regions, ensuring that no more than 10 gaming machines per 1,000 adults will be able to

operate in any LGA (with the exception of the CBD, Southbank and Docklands areas)

- no more than 105 gaming machines can be operated in any one venue.

Under the new venue operator arrangements a further constraint on the distribution of gaming machines will apply. 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 currently allocated to hotels).

The government also recognised the concern regarding ownership restrictions on the holding of club gaming machine entitlements. The cap will prevent clubs from holding more than 420 club gaming machine entitlements.

¹³ These caps and municipal limits are currently under review.

Financial Information Relating to a Gaming Business (cont.)

4.2 Gaming expenditure

This section provides historical data about gaming expenditure, to provide venue operators with an understanding of the revenue potential that exists in the market.

Gaming expenditure data is provided with this document for four financial years up to and including the 2008-09 financial year.

Figure 6 shows gaming expenditure for specific groups of venue operators for the 2008-09 financial year. The figure provides data that illustrates the variation between gaming machine performance in:

- metropolitan and non-metropolitan areas
- clubs and hotels
- venues of different sizes (as defined by gaming machine numbers).

Box 14 Gaming Expenditure in Victorian Venues, 2008-09

At 30 June 2009, there were 515 gaming venues in Victoria operating a total of 26,772 gaming machines.

Total gaming machines returns (gaming expenditure) during 2008-09 after the mandatory returns to the players exceeded \$2.7 billion at an average of \$101,123.50 per gaming machine.

Figure 6: Average Gaming Expenditure per Gaming Machine, 2008-09¹

Venue Characteristics	Number of Venues ²	Number of Gaming Machines ³	Average Gaming Expenditure per Gaming Machine ^{4, 5, 6} (\$)
Clubs			
Metropolitan Clubs			
0 to 20	8	156	\$33,363.25
21 to 40	43	1,345	\$61,515.71
41 to 60	37	1,899	\$65,223.20
61 to 80	36	2,631	\$73,103.45
Over 80	25	2,356	\$84,269.65
Sub-Total Metropolitan Clubs	149	8,387	\$71,858.43
Non-Metropolitan Clubs			
0 to 20	12	182	\$44,539.81
21 to 40	57	1,828	\$61,174.70
41 to 60	30	1,500	\$73,598.51
61 to 80	11	772	\$81,784.40
Over 80	8	765	\$75,508.05
Sub-Total Non-Metropolitan Clubs	118	5,047	\$69,592.35
Total: Clubs	267	13,434	\$71,007.09

Venue Characteristics	Number of Venues ²	Number of Gaming Machines ³	Average Gaming Expenditure per Gaming Machine ^{4, 5, 6} (\$)
Hotels			
Metropolitan Hotels			
0 to 20	6	100	\$75,777.31
21 to 40	40	1,256	\$118,020.02
41 to 60	51	2,552	\$127,715.20
61 to 80	33	2,380	\$147,309.29
Over 80	49	4,726	\$144,626.01
Sub-Total Metropolitan Hotels	179	11,014	\$137,628.35
Non-Metropolitan Hotels			
0 to 20	18	319	\$74,462.87
21 to 40	35	1,076	\$101,598.02
41 to 60	11	536	\$107,479.81
Over 60 ⁶	5	393	\$119,206.73
Sub-Total Non-Metropolitan Hotels	69	2,324	\$102,207.63
Total: Hotels	248	13,338	\$131,456.68
All Venues	515	26,772	\$101,123.50

Notes

1. The data presented in Figure 6 is generally historical and is provided for information only and must not be construed as any warranty or representation of future performance or expectations under the gaming machine entitlements.
2. Includes only those venues that were operating gaming machines on 30 June 2009. This figure does not account for variations in the number of venues over the financial year.
3. Includes only those gaming machines that were licensed to operate on 30 June 2009. This figure does not account for variations in the number of operational gaming machines over the financial year.
4. Gaming Expenditure = total amount wagered minus the amount returned to players in winnings.
5. The total Gaming Expenditure on which the calculation of averages is based is that of all gaming machines and all venues over the financial year. It should be noted that gaming expenditure is included for 7 venues that are not included in the counts of venues and gaming machines, as these were not operating at 30 June 2009 (see notes 1 and 2, above).
6. Average gaming expenditure per gaming machine is a calculation of the total gaming expenditure over the financial year for a known number of gaming machines at the end of the period. It should be treated as an indicative figure only, as the calculation does not take into account variations in gaming machine numbers over the year.
7. There is a minimum of 5 venues in each category of venue size (based on the number of gaming machines) shown in the table.

Financial Information Relating to a Gaming Business (cont.)

The enclosed CD presents gaming expenditure data by LGA for each individual venue for each of the last four completed financial years (i.e. 2005-06, 2006-07, 2007-08 and 2008-09). An extract of the venue data from the CD is provided below to illustrate what data is available.

Figure 7: Example Extract of Venue Gaming Expenditure Data From CD¹

LGA Name			FY 05-06		FY 06-07		FY 07-08		FY 08-09	
Venue Name	Venue Type	Region	Gaming Expenditure (\$000)	Gaming Machines ²	Gaming Expenditure (\$000)	Gaming Machines ²	Gaming Expenditure (\$000)	Gaming Machines ²	Gaming Expenditure (\$000)	Gaming Machines ²
Hotel 1	Hotel	Metro	\$10,901	75	\$11,437	75	\$12,069	75	\$12,318	75
Club 1	Club	Metro	\$6,643	70	\$6,932	70	\$7,150	70	\$7,767	70
Club 2	Club	Metro	\$3,617	35	\$3,516	35	\$3,618	35	\$4,073	35
Club 3	Club	Metro	\$4,920	57	\$5,327	57	\$6,108	57	\$6,271	57
Hotel 2	Hotel	Metro	\$6,632	52	\$5,943	52	\$6,010	52	\$5,970	52
Club 4	Club	Metro	\$3,841	35	\$5,094	50	\$6,749	50	\$7,113	50
Club 5	Club	Metro	\$575	24	\$541	19	\$640	19	\$576	19
Hotel 3	Hotel	Metro	\$15,999	80	\$17,555	80	\$17,332	80	\$19,013	80
Club 6	Club	Metro	\$3,683	60	\$3,364	60	\$3,695	60	\$3,793	60
Hotel 4	Hotel	Metro	\$10,423	70	\$10,527	70	\$11,466	70	\$11,809	70

Notes

1. The data presented in Figure 7 and on the enclosed CD is generally historical and is provided for information only and must not be construed as any warranty or representation of future performance or expectations under the gaming machine entitlements.
2. Includes those gaming machines that were licensed to operate on 30 June of that financial year.

Monthly gaming expenditure data by LGA is provided on the VCGR website at: www.vcgr.vic.gov.au.

4.3 A new taxation scheme

The minimum return to players of 87 per cent of gaming machine turnover will not change under the new arrangements. The gaming expenditure represents revenue to venues under the new arrangements prior to paying tax and other venue costs.

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

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

- instituting a progressive tax system 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 (including a tax free threshold for clubs)
- the State deriving a share of gaming machine revenue that is broadly similar under the post 2012 arrangements to the current arrangements.

Calculating tax

Tax rates will be based on each venue's average monthly gaming machine revenue (where gaming revenue is defined as total amount wagered less return to players).

Figure 8 shows the tax thresholds and marginal rates that will apply.

Figure 8: Tax Thresholds and Marginal Rates

Thresholds (average monthly revenue per machine)	Marginal Tax Rate	
	Hotels	Clubs
\$0 - \$2,666	8.33%	Tax free
\$2,667 – \$12,500	50.83%	42.5%
\$12,501+	58.33%	50%

The application of the tax thresholds and marginal rates are demonstrated in the sample calculation below.

Box 15: Sample Tax Calculation

For example, where a club venue operator has 50 machines and \$330,000 in monthly revenue, the monthly tax liability is calculated as follows:

"average monthly per gaming machine revenue"¹
= \$330,000 / 50 = \$6,600

"tax per machine"² = (\$6,600-\$2,666) * 42.5 per cent = \$1,671.95

"tax liability"³ for the month = \$1,671.95 * 50 = \$83,597.50

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

Notes

1. "average monthly per gaming machine revenue" is calculated by dividing each venue's total monthly revenue (earned from the conduct of gaming under the gaming machine entitlement) by the number of gaming machine entitlements held by the venue operator.
2. "tax per machine" is calculated by applying the relevant tax rates to the "average monthly per gaming machine revenue".
3. "tax liability" is calculated by multiplying the "tax per machine" by the number of gaming machine entitlements held by the venue operator.

Appendix F presents data highlighting the difference in the venue share of gaming expenditure under the new structure compared to the current structure at various levels of gaming expenditure.

Financial Information Relating to a Gaming Business (cont.)

Goods and Services Tax (GST)

The progressive tax rates for hotels and clubs from 1 July 2012 will apply to gross gaming revenue without any deduction for GST payable to the Commonwealth on gambling supplies. The Gambling Regulation Further Amendment Bill 2009, which was recently introduced in Parliament, proposes to define “revenue” in the two tax sections to make the original statutory intention clearer. It is proposed that “revenue” will be defined as the amount earned from bets placed on a gaming machine less the amount returned to players as prizes and amounts prescribed as payable from each bet made to a jackpot special prize pool.

This State based taxation treatment is independent from the Commonwealth’s GST provisions that apply to gambling supplies. Accordingly, there are no Australian Taxation Office rulings that deal with this point because it is not a Commonwealth responsibility. If a post 2012 venue operator is registered for GST and makes taxable gambling supplies then 1/11th of the gambling revenue (broadly, the total amount received in bets less amounts paid out in prizes) is payable as GST to the Commonwealth. Please refer to GSTR 2002/3 and Division 126 of the GST Act for more information on venue operators’ liabilities for GST.

Subject to confirmation from the Commonwealth, it is likely that the initial price paid for gaming machine entitlements will not be subject to GST.

Clubs and community benefits

Clubs receive a discounted rate of taxation on gaming revenues to allow them to invest back into their communities.

Clubs are required to spend at least 8.33 per cent of gaming revenue on community benefits, such as (but not limited to) donations, sponsorships, subsidies and voluntary services.

Each year, clubs must submit an independently audited Community Benefit Statement that demonstrates how that 8.33 per cent of gaming revenue has been spent.

Further information on community benefit requirements can be found on the VCGR website: www.vcgr.vic.gov.au.

4.4 Costs to venues

Venue operators need to identify and consider a range of costs in planning for the establishment and operation of a gaming business from 2012.

Venue operators should note that, under the current arrangements, some costs are met directly by the gaming operators, in return for a share of gaming expenditure. As there are no gaming operators under the new structure, these costs will need to be met directly by venue operators.

Some of the key cost areas associated with gaming operations include:

- venue establishment
- purchase of gaming machine entitlements
- acquisition and maintenance of gaming machines
- monitoring fees
- procurement of venue services
- regulatory compliance costs (including the regulatory supervision charge)
- general operating costs.

This document provides indicative costs relevant to operating a gaming business under the new arrangements and does not attempt to outline other venue costs such as liquor, accommodation etc.

4.4.1 Venue establishment/renewal costs

In establishing a gaming business in Victoria it is necessary to obtain a range of permits, licences and approvals and maintain their currency over the term of the gaming operations.

The approvals required by a venue operator are listed below, each of which has a cost associated with it:

- new venue operator’s licence
- renewal of venue operator’s licence
- venue approval
- add premises to venue operator’s licence

- increase number of approved gaming machines
- vary approved gaming machine areas
- new liquor licence – general or club
- renewal of liquor licence
- variation to liquor licence.

The costs for planning permits vary from local council to local council. Bidders should satisfy themselves of the cost and requirements for planning permits relating to gaming machines in their LGA.

Venue operators also need to consider other areas of potential cost associated with establishing a gaming venue, including:

- social and economic impact statements
- legal costs incurred for any area of venue approval.

4.4.2 Purchasing entitlements

Each venue operator should determine the value of gaming machine entitlements to their business, in the context of their:

- business strategy and structure
- forecast of gaming machine revenue
- cash-flow projections
- estimate of business costs
- profit targets
- total business revenue.

In determining what a venue operator is willing to pay for each gaming machine entitlement, consideration must be given to meeting the State's payment terms (see sections 2.2.7 & 2.3.4) as well as all other financial costs that would be part of the business.

4.4.3 Acquiring, maintaining and upgrading machines

Under the new arrangements, venue operators will need to purchase or lease their gaming machines.

There is a wide range of gaming machines available to the market (see section 6), which will allow gaming businesses to select machines that best meet their needs, consistent with:

- their business approach
- the needs and preferences of their customers
- their budgetary capacity
- venue characteristics
- regulatory requirements (see section 4.4.6).

Venue operators proposing to operate a gaming business from 2012 should make their own enquiries about the types of machines available and the costs associated with obtaining, installing and servicing machines.

Venue operators will be able to obtain gaming machines from manufacturers and suppliers listed on the State's *Roll of Manufacturers, Suppliers and Testers* (see Appendix C).

Gaming machines may also be obtained via a specialist service provider or their purchase/lease facilitated by a peak body.

Individual venue operators may wish to consider forming purchasing groups to increase their buying power.

Existing venue operators should not assume a no-cost handover of any existing machines on their premises. These machines belong to the current gaming operators. Venue operators may be able to transfer ownership of these under appropriate commercial arrangements.

The State will require manufacturers to publish standard price lists and bulk discount rates.¹⁴

Installation of gaming machines

The costs for the installation of gaming machines may not be limited to standard installation requirements, and may also encompass costs associated with:

- structural attributes of the venue
- the integration of machines with the specific fit-out requirements of a venue operator, in relation to other fixtures, furniture and fittings
- compliance with regulatory requirements, such as lighting and security.

¹⁴ Subject to the passage of legislation.

Financial Information Relating to a Gaming Business (cont.)

Upgrading gaming machines

Venue operators will probably wish to consider upgrading their machines over the 10-year term of a gaming machine entitlement to maintain optimal functionality and customer appeal. Upgrades to machines may entail changes to hardware components or the software used for game play.

Figure 9: Monitoring Service Fees in New South Wales and Queensland¹

	New South Wales	Queensland	
		Odyssey	Maxgaming
Monitoring service fee (monthly, per machine)	\$34.37	\$17.34	\$15.20
Maintenance and repair fee (monthly, per machine)	No standard fees (ancillary service – venue operators can competitively source a provider)	\$42.00 (compulsory – venue operators must use the services of the Monitor)	\$45.90 (compulsory – venue operators must use the services of the Monitor)

Source for Qld figures: Odyssey and Maxgaming, Licensed Monitoring Operators in Qld.

Notes

1. Reported fees are current as at January 2009.
2. The information in Figure 9 is provided for information only and must not be construed as a warranty or representation of future performance or expectations for the cost of monitoring service fees in Victoria.

4.4.4 Monitoring fees

All gaming machines must be linked to a state-wide monitoring system operated by the Monitor (see section 2.5.2) that captures data on machine operation, such as pay-outs, transactions and revenue. Gaming machines may only be operated when they are connected to the monitoring system.

The Monitor will provide venues with all the hardware, software and equipment needed to link into the monitoring system and will be responsible for the operation of the monitoring system.

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

The monitoring service fees will be known when the monitoring licensee is appointed. In the interim, for information, Figure 9 shows the monitoring service fees charged to venues in New South Wales and Queensland.

In addition to the standard monitoring service, the

Monitor will be required to facilitate linked jackpot services for those venues that wish to have them. That is, the Monitor can use the monitoring network to link venues to enable gaming jackpots.

Jackpots may link multiple machines within a venue or multiple machines across venues. There are also standalone jackpots, which are based on a single machine.

Again, linked jackpot services would be provided on a fee-for-service basis and it is expected that such fees will be known in advance of the Gaming Auction.

4.4.5 Venue services

Venue operators face a range of variable costs that are based upon their own business requirements and their approach to managing these costs. This includes areas of cost such as labour and utilities across the venue as well as specific to the gaming area.

Payment by venue operators to third parties for the provision of specialist venue services is a variable

cost. Each venue operator will need to determine their own need for third party venue services and seek to negotiate acceptable terms for the provision of those services with individual suppliers.

Venue operators will not be permitted to procure services where the payment terms for the provision of these services is calculated by reference to gaming revenue.

4.4.6 Compliance costs

Venue operators will be accountable for ensuring that their gaming operations and premises comply with all relevant regulations, licences and operating conditions, and will be responsible for meeting all costs associated with monitoring and reporting on their own compliance with these regulatory requirements.

Venue operators will be responsible for ensuring compliance with the requirements associated with:

- holding a venue operator's licence
- holding a liquor licence
- the terms and conditions of a planning permit
- a responsible gambling code of conduct.

For further information about the State's responsible gambling requirements refer to section 3.6.

Venue operators will need to pay an annual regulatory supervision charge to the VCGR. This fee allows the VCGR to recover all costs associated with regulating the gaming industry. Based upon VCGR projections of the costs of regulating the gaming industry, an indicative cost to venue operators for the regulatory supervision charge is about \$550 per annum per machine.

Other areas of cost that venue operators may need to consider in complying with the State's regulatory requirements include:

- preparation of community benefit statements (see section 4.3)
- compliance related training

- ongoing security and maintenance of security systems (money handling, safes, cameras, alarms etc.)
- gaming specific lighting requirements.

4.4.7 General operating costs

There are a number of operational costs associated with conducting a venue gaming business, some of which may include:

- marketing and promotions
- administration
- cleaning, lighting and power
- machine servicing
- machine upgrades
- monitoring
- jackpot system costs
- day-to-day game play assistance
- security
- cash handling
- staff training
- employee related expenses.

4.5 Venue financing

There are capital outlays associated with the establishment of a gaming business that may necessitate a venue operator borrowing funds.

When securing finance, venue operators and their creditors should consider a range of matters including the 'use it or lose it' provision (see section 5.2.4) it and the possibility of an entitlement reverting to the State in specified circumstances.

In the event that a borrower fails to comply with the terms of a loan, a creditor's rights to or interests in a specific asset, such as an entitlement, will be governed under the provisions of the Act (refer to section 5).

Regulation of Gaming in Victoria

Gambling activity is 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 VCGR is the State's independent gambling regulator and will continue to regulate the industry under the new arrangements.

Industry participation in the gaming industry is subject to stringent probity assessments of organisations, their associates and key individuals, and to a range of separate screening and approval processes.

With respect to gaming machines, the State's core regulatory functions under the new structure are in relation to:

- approval processes
- entitlements
- compliance.

For further information visit www.vcgr.vic.gov.au.

5.1 Approval processes

Anyone considering entering the gaming industry in Victoria needs to be aware that gaming machine businesses in Victoria are subject to a number of regulatory constraints. Gambling and activities related to gambling are prohibited unless authorised under the Act or the *Casino Control Act 1991*.

The Act provides for approval processes for many industry participants including venue operators, manufacturers, suppliers, testers and gaming industry employees.

All gaming machine types and games are also required to be tested and approved to ensure that they meet the National and Victorian Standards. This includes compliance with all responsible

gambling requirements. Requirements for gaming machines may vary from state to state, so what may be approved in Victoria may not be approved in another state and vice versa.

Box 16: VCGR Approval Processes

- Venue operator licensing, including the assessment of an applicant's responsible gambling code of conduct and self-exclusion program.
- Probity and integrity checks and approval of regulated service providers.
- Ensuring all relevant employees of a venue operator hold a current gaming industry employee's licence (this licence is required in order to undertake certain prescribed duties in relation to gaming machines).
- Determination of applications for approval of manufacturers, suppliers and testers for listing on the Roll of Manufactures Suppliers and Testers.

5.1.1 Venue operator's licence

To be eligible to bid for entitlements, a bidder must hold a current club or hotel venue operator's licence. Venue operator's licence applications are considered and determined by the VCGR. Information on applying for a venue operator's licence is contained in section 3.1.

It is important to apply now for a venue operator's licence as it usually takes a minimum of four months for the VCGR to process applications.

5.2 Regulation of entitlements

A number of provisions are available to the State to ensure the appropriate allocation, registration and use of entitlements, as set out in Box 17, and explained in greater detail in the remainder of this section.

Box 17: Regulation of Entitlements by the VCGR

- The registration of entitlements, following successful bidding under the new arrangements.
- The assessment of applications by entitlement holders for an extension of the 'use it or lose it' period applying to gaming machine entitlements.
- The management of the transfer scheme for gaming machine entitlements, including those entitlements that have reverted to the State.
- The reversion of entitlements to the State, as applicable.
- Varying the conditions attached to entitlements.
- Ensuring that the constraints on the distribution of gaming machine entitlements are maintained (e.g. regional/metropolitan distribution).

5.2.1 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 government recognised the concern regarding concentration of ownership in the clubs sector and supported the inclusion of an ownership restriction on the holding of club gaming machine entitlements. The prohibitions prevent a club from holding more than 420 club gaming machine entitlements.

5.2.2 State's rights in relation to entitlements

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

While gaming machine entitlements are a type of property right and may have long-term value, in certain limited circumstances, the Act provides for entitlements to revert to the State. These circumstances include:

- if the entitlement holder does not pay for the entitlements in accordance with the terms of the agreement between the State and the entitlement holder
- on cancellation of the venue operator's licence by the VCGR
- if 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 the 'use it or lose it' provisions (see section 5.2.4).

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 Appendix A)
- 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.

Regulation of Gaming in Victoria (cont.)

5.2.3 Failure to pay for entitlements

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

- the entitlement holder will have to pay interest on any amount that is not paid by the due date
- by the next due date, the entitlement holder will have to pay:
 - » the overdue amount
 - » interest payable on the overdue amount
 - » any subsequent instalment due at the time
- if the entitlement holder does not make all payments due at this date then the entitlements will revert to the State.

See section 5.2.2 for information about entitlements that revert to the State.

5.2.4 'Use it or lose it'

Successful bidders need to be prepared to use their entitlements within six months of the commencement of the new industry arrangements in 2012.

This is intended to prevent hoarding of entitlements by those who do not intend to use those entitlements but rather seek to curtail competition.

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 ('use it or lose it').

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 reasonable endeavours.

5.2.5 Transfers prior to six months after new arrangements commence

Where gaming machine entitlements are traded at any time prior to six months after the new industry arrangements commence, the entitlement holder will be required to pay 75 per cent¹⁵ of any profit to the State.

Entitlement holders may apply for an exemption from this payment if entitlements are transferred because of a decision made by a government body that refuses an application for a venue approval, a planning permit or a liquor licence.

5.2.6 Loss of entitlements due to changes in regional/municipal caps

Regional caps and municipal limits apply to the number of gaming machines that may operate in an area (see Appendix E), and these caps and limits are subject to periodic review. 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 and limits.

Where the number of gaming machines operating in any area exceeds the cap/limit 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.

The venue operator may also apply to the VCGR to have the geographic conditions on the entitlement varied, so that it can be used in another region.

Entitlements will be able to be traded using the transfer scheme (Appendix A).

¹⁵ This amount of tax increased from 50 per cent to 75 per cent when the *Gambling Regulation Amendment Act 2009* came into operation on 6 August 2009.

Additionally, the government may achieve the required reduction by offering to buy back entitlements subject to the passage of legislation.

If the government did offer a buy back scheme, it would likely be subject to conditions relating to timelines and amounts payable.

The buy back scheme would be applicable in strictly limited circumstances and would not apply to claims from venue operators made for any reason other than due to the required reduction of machine numbers in an area following amendments to regional/municipal caps.

5.2.7 Loss of entitlements due to changes in the state-wide limits

The government is committed to maintaining a state-wide cap of the 27,500 gaming machines within Victoria. However, the distribution of gaming machines across Victoria may change over time.

In this event a new Ministerial Direction would be required and a reduction of entitlements would be carried out under the proposed buy back scheme.

5.3 Compliance

As noted above, gaming machine businesses in Victoria are subject to a number of regulatory constraints. In addition to initial licensing processes, venue operators are required to comply with the Act and regulations, as well as directions from the Minister and the VCGR.

Monitoring and ensuring compliance is a significant function of the regulator. Activities undertaken include unannounced inspections and covert surveillance, formal inspections and financial audits, investigation of patron complaints, monitoring of gambling products to ensure patrons receive their appropriate entitlements, and verification and collection of gambling taxes.

Depending on the offence, action taken by the VCGR as a result of failure to comply may range from the issue of a letter of censure to imposition of a fine to suspension or cancellation of a licence.

Box 18: VCGR Compliance Checking

- Investigating allegations of inducements being offered by manufacturers or suppliers 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 and enforcement of regulatory requirements (e.g. responsible gambling provisions such as the ban on gaming machine advertising).
- Investigation of significant gaming machine events or compliance issues.

5.3.1 Compliance costs

Gaming operators currently pay supervision fees to the VCGR. In the new arrangements, venue operators will be accountable for ensuring that their gaming operations and premises comply with all relevant legislation and regulation requirements, licences and operating conditions, and will be responsible for meeting all costs associated with monitoring and reporting on their own compliance with these regulatory requirements.

Venue operators will need to pay an annual regulatory supervision charge to the VCGR. This fee allows the VCGR to recover all costs associated with regulating the gaming industry. Based upon VCGR projections of the costs of regulating the gaming industry, an indicative cost to venue operators for the regulatory supervision charge is about \$550 per annum per machine.

Gaming Technology

Gaming machine entitlements authorise the conduct of gaming for a maximum of 10-years from 2012.

A venue operator's decisions about the use of technology in their business are likely to entail consideration of the best options for their business and customers over this 10-year timeframe.

The gaming industry utilises technology to:

- deliver gaming services to customers
- support venue operators in conducting efficient gaming businesses
- demonstrate that gaming operations comply with State regulations and requirements.

Venue operators will need to plan for the deployment of technology in their proposed gaming business, in the context of:

- the current technology available
- the standards and regulations applying to gaming technology
- the future trends in gaming technology.

This section provides an overview of gaming machine technology. Venue operators are encouraged to make their own independent enquiries about options available to them with regard to gaming machine technology.

6.1 Gaming machines

Gaming machines are available in many forms, differentiated by:

- the configuration and inclusion of variable components
- the game play features offered
- the money handling mechanisms
- network and communication capabilities.

The capacity of a gaming machine to provide jackpot functionality is an important feature differentiating machines, as described in Box 19.

Box 19: Types of Gaming Machine

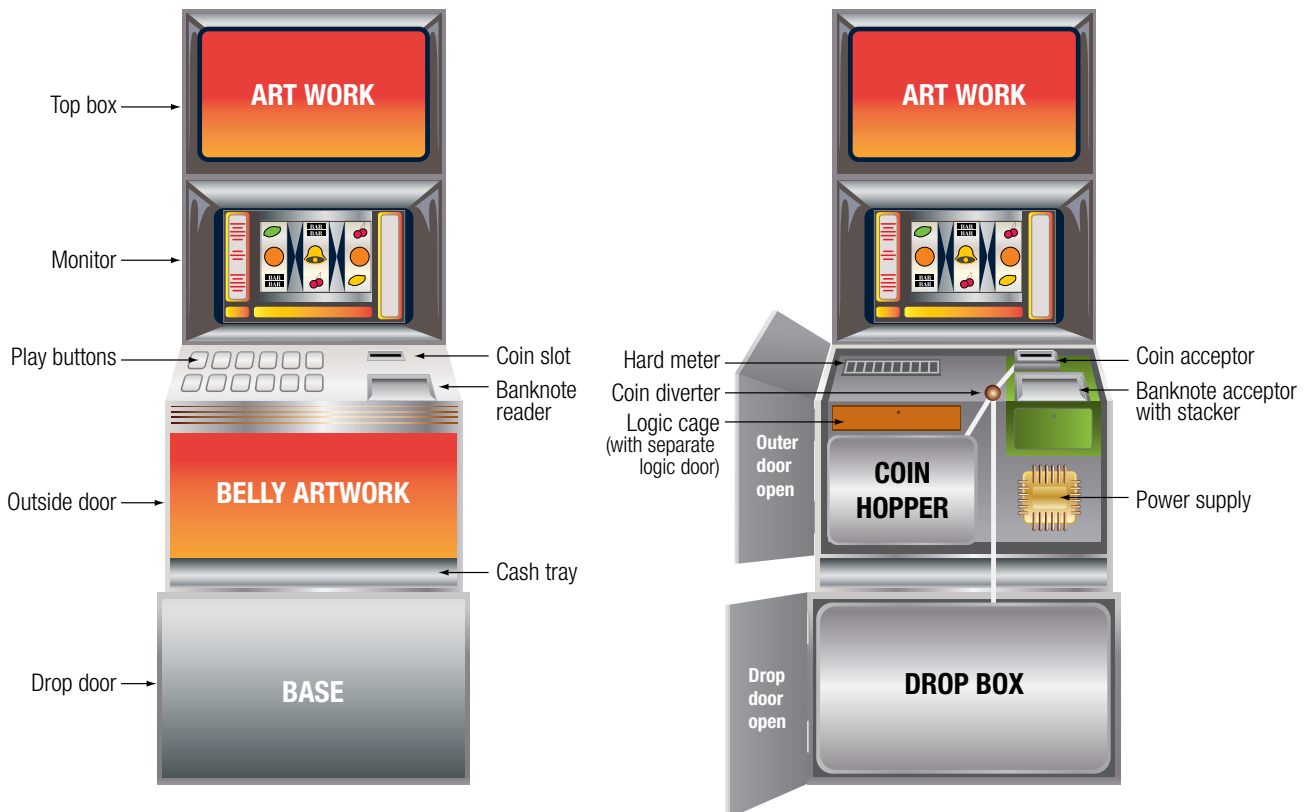
Gaming machines may be categorised into the following three broad categories:

- a standard machine
- a stand-alone progressive machine, for which there is an opportunity to win a progressive jackpot only available at that machine (a portion of the bets are placed into an increasing pool of winnings) based on the denomination chosen to play
- a linked progressive machine, which is a machine linked with several other machines (within a venue or across venues) with the ability to offer access to multi-denominational progressive games.

6.1.1 Components

In very simple terms, gaming machines currently comprise a logic board within a metal box. The main components of a gaming machine are illustrated in Figure 10. The machines are available in a wide range of styles, including upright and slant-top models.

Figure 10: Gaming Machine Components



Below is a generic list of components that will vary from machine to machine:

- Top box: the top cabinet, often containing a screen or artwork, lighting and pay tables to assist with game play
- Belly (or belly of machine): containing the bulk of the machine components and designed with artwork and lighting that shows the theme of the machine
- Monitor: screen that provides the main information and game results to players and venue staff
- Play buttons: these are the players 'controls' and can be used to select the number of lines to play, the bet amount, collect winnings, to reserve machines and to bet. Some gaming machines use touch screens on the Monitor to simulate buttons
- Coin slot: to insert coins and receive credits
- Coin tray: winnings or rejected coins drop into these trays
- Bank note acceptors: to insert notes. Most note acceptors contain a device called a stacker to deposit accepted notes
- Logic box: electronics (processors, graphic engines, memory devices, etc)
- Hopper: for storage of coins and dispensing winnings on request by the player
- Drop box: when the hopper reaches capacity the excess falls into a 'drop box', located at the machine's base
- Hard meters: mechanical meters that record important play statistics regardless of resets, power failures etc.

Gaming Technology (cont.)

6.1.2 Play features

Play features vary across gaming machines to accommodate the preferences of individual players. Variable play features include:

- the availability of several denominations (for example: 1 cent, 2 cent, 5 cent, 10 cent, 20 cent, 50 cent and \$1)
- the number of lines able to be played
- the number of credits bet per line
- bonus features, which provide the player with free spins or free games.

6.1.3 Money handling

There are several options for handling money built into a gaming machine:

- coin (or token) handling devices
- bank note acceptors
- card based technologies (see section 6.3).

Gaming machines must also employ measures to keep track of the money stream. Two accounting methods used are:

- hard meters : electronic mechanical counters
- soft meters : electronic memory stores.

6.1.4 Networking

Gaming machines are linked together in networks, which enables monitoring, the collection and reporting of data and the provision of jackpots. These functions are directed from central or local controllers (see section 6.2 for an example of a gaming network model).

The Monitor will be responsible for providing and maintaining all system and jackpot related network connections required for the monitoring function (see section 3.5).

6.1.5 Jackpots

Gaming machines can be linked, via a network, to facilitate jackpot awards. Participating gaming machines contribute part of every bet towards a linked jackpot or jackpots. Two types of links can be made:

- a wide area network or collection of machines in different venues linked to a central system using telecommunications infrastructure
- a local area network that only includes machines within the same venue.

When a number of venues and individual gaming machines are linked, the jackpot accrues quickly and is won frequently.

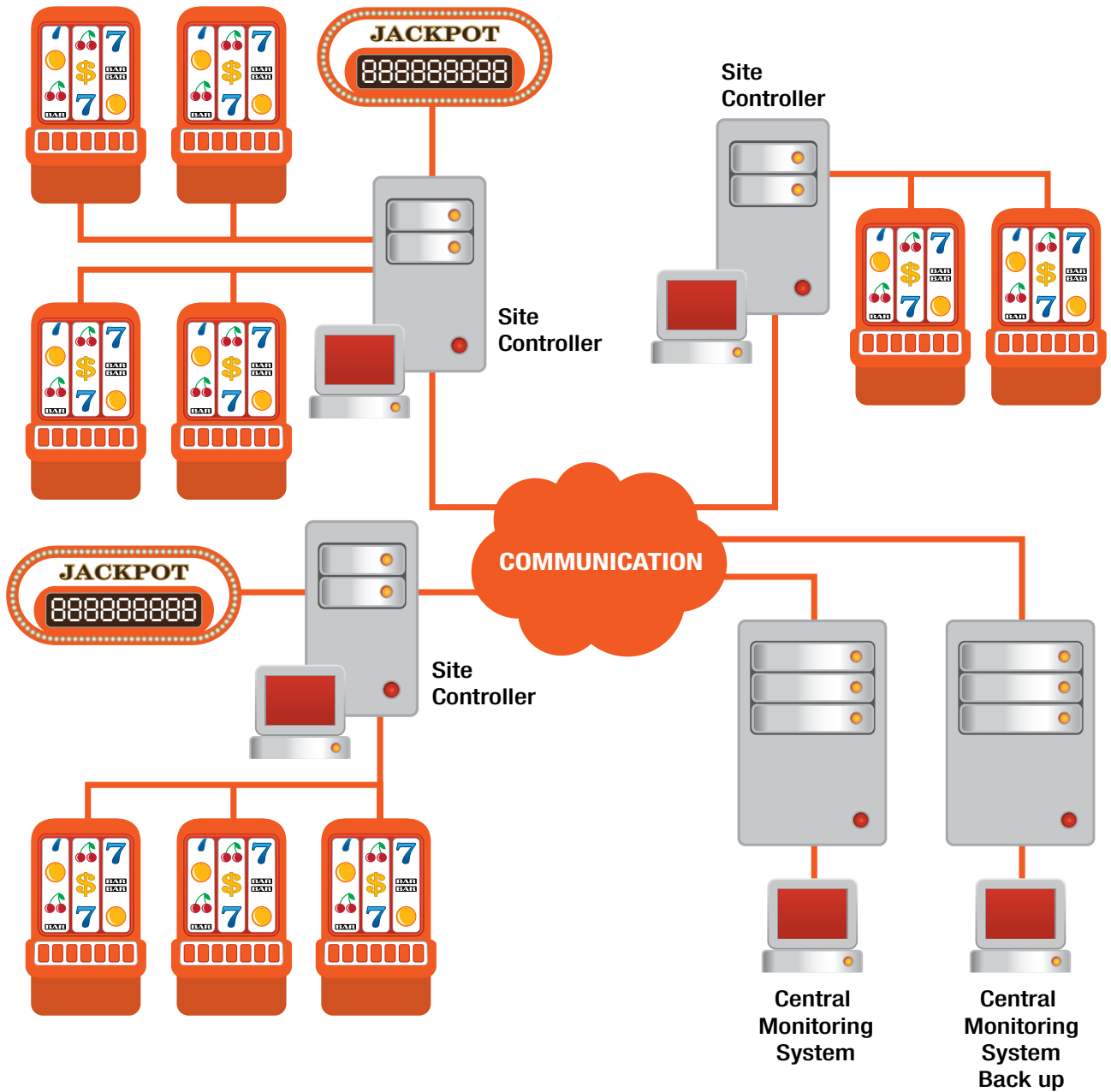
6.2 Generic venue gaming network model

The State's Monitor will be required to provide and maintain a monitoring system, incorporating a network that connects a range of gaming machines to a central monitoring system.

It will connect individual gaming machines to a 'site controller'. A 'site controller' monitors gaming machine operation and collects gaming machine information such as meter and event data (access, security and faults) as well as configuration data, downloaded from the host system.

Communication between the site controller and gaming machines must use a communications protocol, consistent with the applicable standards and the monitoring system.

Figure 11: Generic Gaming Network Model



Gaming Technology (cont.)

6.3 Future trends

Advances in gaming technology provide for:

- greater capacity to customise gaming products and services in response to customer preferences
- efficiency gains and cost savings through the introduction of more secure and less labour intensive functionality
- enhanced safeguards to promote responsible gambling.

Today's gaming machines are confined to running a single game or set of games. However, the latest developments in the computer industry will provide a capacity to vary many aspects of game play, including:

- bet amounts (e.g. change gaming machine from a 1c to a 2c machine)
- the set of games available to players
- downloading individual games.

Gaming machine systems can be set up to allow players to bet money straight from a card based account, rather than depositing coins or using note acceptors. Players can also keep track of their wins and losses more easily and set limits.

6.3.1 Server based technology

Server based technology consists of a central server that links to a number of client gaming devices.

The main advantage of such a configuration is that it is very straightforward to change the software or games, which enables:

- the automation of software upgrade processes
- new games to be configured
- greater customisation of game play configurations.

6.3.2 Player identification technology

Identifying the players of a gaming system is very useful for a variety of reasons, including:

- enabling cashless gaming
- managing player loyalty programs
- facilitating pre-commitment and harm minimisation measures
- providing for personal configurations of game play.

Technology currently provides for the identification of players through identification cards and chips. In the future, technology such as thumbprint reading may be utilised.

6.3.3 Wireless technology

Wireless communication might be used within venues to reduce or eliminate the need for expensive cabling or re-cabling.

Wide area wireless communication might be used to provide a primary or backup link from a site controller to the central monitoring system.

In both instances, additional levels of security will be required to protect the communications from interference or illicit eavesdropping.

Other Information Available to Venue Operators

The government is committed to providing information to venue operators and other stakeholders about how the gaming industry will function from 2012.

This document forms part of a package of information prepared for current and prospective venue operators.

The *Gaming Machine Industry Bulletin* provides information about gaming machine arrangements and, along with the website, is the key source of information about decisions made between the release of major market documents, such as this. Interested parties should subscribe to the *Gaming Machine Industry Bulletin* at www.gamblinglicences.vic.gov.au.

A major part of the government's strategy to support the transition to the new arrangements is the free Business Education Program.

This section provides details about:

- the free Business Education Program
- other sources of information that are currently available to venue operators.

7.1 Business Education Program

Whether a venue operator is new to the gaming industry or has years of experience, they should:

- stay abreast of government decisions relating to the new industry arrangements
- prepare themselves for the Gaming Auction.

The Business Education Program is available to all those persons interested in acquiring gaming machine entitlements. The Business Education Program has three components:

- a business toolkit
- business workshops
- business mentoring.

Business Toolkit

The business toolkit provides venue operators and potential venue operators with essential information on the management of an approved venue. This will assist with business planning and decision making processes regarding involvement in the post 2012 gaming machine industry.

The business toolkit provides essential information on managing an approved venue, including:

- business and financial planning
- responsible gambling and harm minimisation
- the regulatory environment.

The business toolkit is available free of charge from Small Business Victoria: www.business.vic.gov.au/gaming.

Business workshops

Small Business Victoria delivered business workshops for the gaming industry from July until September 2009. The workshops examined the principles of managing a viable and sustainable gaming business and outline the fundamentals of a business plan for the new 2012 environment.

Business mentoring

Small Business Victoria is delivering a business mentoring program, matching business experts with venue operators, to build on the skills and knowledge gained from the workshops.

The mentors have backgrounds in marketing, sales, finance, retailing, tourism, client management and other fields. They have been selected for their experience, people skills and passion for helping businesses succeed.

The mentors will assist venue operators develop or refine business plans, marketing strategies, financial planning and a range of other areas. They will assist in identifying key issues, diagnose and prioritise matters requiring more attention, and assist in the creation and refining of action plans.

Existing venue operators and prospective operators can access two mentoring sessions free of charge.

7.2 Other sources of information

Information on the Gambling Licences Review and the gaming machine arrangements is available on the website at www.gamblinglicences.vic.gov.au.

An email newsletter is also available to provide the latest information. The newsletter is circulated to all subscribers when new information on the gaming machine arrangements becomes public. Interested parties can subscribe to the *Gaming Machine Industry Bulletin* via the website, noted above.

The Gambling Licences Review carried out 16 State Wide Information Sessions in July 2009 and more will be held in October 2009. Those interested in participating in the new industry are strongly encouraged to attend.

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.

Venue operators should note that this document is provided for information only. It is recommended that each venue operator make their own independent enquiries and consult with their accountant or financial advisers.

Bidder Information Pack

A Bidder Information Pack will be made available in October 2009 and will outline the registration process for the Gaming Auction.

Transition to the New Arrangements

The introduction of new venue operator arrangements in 2012 is complex and will involve a significant amount of planning. The implementation of, and movement to, the new industry arrangements will require stakeholders to work together.

The government will work with industry to support and facilitate the transition to the new gaming industry arrangements that will apply in 2012.

Entitlement holders will be obligated to cooperate with the incoming monitor and provide necessary access to any venue in which they propose to use entitlements.

The current gaming operators manage all Victorian gaming machines outside of the Melbourne Casino. They are responsible for all aspects of their gaming machine operations. Following the introduction of the new structure in 2012 venues will manage these aspects of their business.

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

This transition may also involve new venue operators obtaining access to approved venues or seeking to have them approved for gaming, entering into agreements with third party service providers for services to support the gaming business and acquiring gaming machines (see section 4.4.3).

Future Events

There are a number of key events associated with the transition to the venue operator arrangements. These events and an indicative timeframe are presented below.

Figure 12: Gaming Machine Arrangements Implementation Milestones

Information	
Free Business Education Program for potential bidders, including:	
• mentoring	Now available
• toolkit	Now available
• workshops	Until mid-September 2009
• State Wide Information Sessions	October 2009
Independent Monitoring	
Monitoring licence granted	Early 2010
Legislation/Regulation	
Gambling Regulation Amendment (Fees) Regulations	2nd half of 2009
Anticipated passage of the Gambling Regulation Further Amendment Bill 2009	2nd half of 2009
Allocation	
Gaming Auction Bidder Information Pack available	October 2009
Gaming Auction bidder registration opens	October 2009
Pre-Auction Club Offer opens	October 2009
Gaming Auction bidder registration closes	December 2009
Mandatory free training for registered bidders	Early 2010
Gaming Auction	2nd quarter 2010

Glossary of Terms

Term	Definition
Act	<i>Gambling Regulation Act 2003.</i>
Approved Venue	A physical premises approved for the purposes of conducting a gaming business under the Act.
Amending Act	<i>The Gambling Regulation Amendment (Licensing) Act 2009.</i>
Business Education Program	Free program available to potential bidders comprising a toolkit, workshops and mentoring.
Club	A premise in which a full or restricted club licence under section 10 of the <i>Liquor Control Reform Act 1998</i> is in force or a licence under Part 1 of the <i>Racing Act 1958</i> is in force.
Gaming Auction	The competitive bidding process to allocate gaming machine entitlements to registered bidders.
Gaming machine entitlements (or entitlements)	An instrument that authorises the holder to operate a single gaming machine.
Gaming expenditure	The total amount gambled minus the amount returned to players in winnings.
Hotel	A premise in respect of which a general licence under section 8 of the <i>Liquor Control Reform Act 1998</i> is in force.
Local Government Area (LGA)	Council areas within Victoria.
Metropolitan Melbourne	The Melbourne Statistical Division, incorporating those LGAs coded “metropolitan” in the Victorian Government classification scheme.
Minister	Minister for Gaming.

Term	Definition
Minister's Agreement/s	An agreement (or agreements) the Minister requires a venue operator (or other persons) to enter into dealing with the conditions of payment for the allocation of an entitlement or to issues relating to the operation of gaming machines under an entitlement.
Monitor	The holder of the monitoring licence.
Monitoring Licence	The Licence to operate a monitoring system to monitor gaming machines in Victorian venues.
Pre-Auction Club Offer	An offer of a limited number of entitlements for venue operators of existing clubs with gaming machines in advance of the Gaming Auction.
Regulatory Supervision Charge	An annual charge that will be payable by venue operators for services provided by the VCGR.
Responsible Gambling Code of Conduct	A code of conduct prepared by venue operators for the purpose conducting a gaming business.
Roll	Roll of Manufacturers, Suppliers and Testers.
State Party	Means the State, the ministers of the State (including the Minister), their officers, employees, servants, agents, advisers, contractors and the VCGR.
Venue Operator	A party that holds a valid venue operator's licence issued by the VCGR.
Victorian Commission for Gambling Regulation (VCGR)	A statutory body that regulates gaming in Victoria.

Appendix A: Transfer and Trading of Entitlements

It will be possible to transfer gaming machine entitlements to another venue operator from shortly after the completion of the Gaming Auction. 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 Box 13)
- 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 recorded by the VCGR prior to finalisation, and the details of the completed transfer registered on the transfer market website
- a transfer fee will apply to buyers of entitlements, to be calculated on a cost recovery basis
- all amounts owing to the State must be paid prior to the transfer being recorded.

Box 20: Transfer Market Website

The transfer market website will enable sellers and buyers to post information on-line regarding the availability of entitlements and to negotiate transfer details.

The transfer market website will provide a convenient central repository of information for venue operators wishing to establish the availability of entitlements, and will promote the transparency of the transfer market.

The details of completed transfers recorded on the transfer market website will include the transfer price, as well as the buyer details and the date of transfer.

Where a transfer of entitlements occurs after the industry transition date, those entitlements acquired must be used by the new entitlement holder within six months of acquisition. Otherwise, entitlements must be used within six months of the industry

transition date. Failure to use entitlements within this period may result in forfeiture of entitlements to the State (see section 5.2.2).

Transfers prior to six months after industry transition

Where gaming machine entitlements are traded at any time prior to six months after the new industry arrangements commence, the entitlement holder will be required to pay 75 per cent of any profit to the State.

Entitlement holders may apply for an exemption from this 75 per cent profit share payment if entitlements are transferred because of a decision made by a government body that refuses an application for a venue approval, a planning permit or a liquor licence.

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 venue operator's licence is not transferable to any other person – see Box 10)
- the transfer is between venue operators who are 'related bodies corporate' under the Corporations Act 2001 (Commonwealth)
- in circumstances otherwise determined by the VCGR.

In addition to advertising via the VCGR transfer market website, venue operators may also advertise entitlements by other means, providing these do not involve, or attempt to involve, the completion of the transaction (this would preclude advertising by means such as eBay).

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 recorded by the VCGR.

Further detail about the transfer scheme will be provided later in 2009.

Appendix B: Services to Venues

There are a number of services that a venue operator may procure from providers to support their gaming business. Refer to Figure 2 for information about constraints on who can provide these services.

An indicative list of the types of services that a venue operator may seek to utilise is included below:

- Responsible gambling services
- Procedural manuals/standards development for operations and security
- Purchase of gaming machines for venues from manufacturers
- Delivery and installation of gaming machines
- Removal/sale/disposal of retired gaming machines
- Compliance with: responsible gaming initiatives, industry code of practice, the Act, Smoking Regulations
- Business analysis software packages
- Promotional and marketing strategies
- Training of staff
- Ancillary services.

Appendix C: Roll of Manufacturers, Suppliers and Testers

A person must be listed on the Roll in Victoria to manufacture or supply gaming machines or restricted components to venue operators.

The VCGR is responsible for assessing applications for inclusion on the Roll. Figure 13 lists those entities listed on the Roll.

Figure 13: Entities on the Roll of Manufacturers, Suppliers and Testers¹

Licensee	Licence Number
Ainsworth Game Technology Limited	R0060001
Aristocrat Technologies Australia Pty Ltd	R9260003
BMM Australia Pty Ltd	R0160013
Bytecraft Systems Pty Ltd	R9360001
B.G.I. Australia Pty Ltd	R9460004
Enex Pty Ltd	R9460019
Global Gaming Industries Pty Ltd	R9960002
GTA Pty Ltd	R0160014
I.G.T. (Australia) Pty Ltd	R9260006
Konami Australia Pty Ltd	R9760004
Konami Gaming Australia Pty Ltd	R9960003
Southern Gaming Services Pty Ltd	R9260004
Stargames Corporation Pty Ltd	R9460001
Technical Systems Testing Pty Ltd	R0160015
Wintech Investments Pty Ltd	R9260009
WMS Gaming Inc	R9360002

Source: Victorian Commission for Gambling Regulation

Notes

1. Information is accurate as at 31 August, 2009.

Appendix D: Victorian Population Data

The table below provides population projections for all Victorian Statistical Divisions (SD). The projections for the Melbourne Statistical Division are further disaggregated to LGA level.

Figure 14: Population Projections by Local Government Area^{1,2}

Geographic Area ³	2009	2012	2017	2022	Projected change ⁴
Metropolitan Melbourne					
Banyule (C)	121,549	123,289	126,455	129,850	5.3%
Bayside (C)	93,773	95,141	97,638	100,531	5.7%
Boroondara (C)	166,106	169,234	174,410	179,878	6.3%
Brimbank (C)	178,144	180,949	185,807	190,845	5.5%
Cardinia (S)	70,165	83,480	104,041	121,270	45.3%
Casey (C)	250,648	278,984	319,144	357,516	28.1%
Darebin (C)	137,182	139,957	144,874	150,012	7.2%
Frankston (C)	126,914	132,243	140,996	149,387	13.0%
Glen Eira (C)	132,453	134,313	137,670	141,223	5.1%
Greater Dandenong (C)	134,059	136,912	142,620	149,829	9.4%
Hobsons Bay (C)	86,757	88,547	91,617	95,011	7.3%
Hume (C)	169,773	185,792	207,913	229,890	23.7%
Kingston (C)	143,756	146,917	152,472	158,582	7.9%
Knox (C)	154,587	156,639	160,146	163,943	4.7%
Manningham (C)	117,773	119,653	122,830	126,209	5.5%
Maribyrnong (C)	69,021	70,751	74,235	78,559	11.0%
Maroondah (C)	104,767	107,319	111,659	116,381	8.4%
Melbourne (C)	88,450	100,919	122,878	143,090	41.8%
Melton (S)	99,688	119,754	149,503	176,911	47.7%
Monash (C)	173,888	177,294	182,928	188,848	6.5%
Moonee Valley (C)	113,584	115,181	117,965	121,186	5.2%
Moreland (C)	146,197	149,363	155,000	162,008	8.5%
Mornington Peninsula (S)	145,552	149,832	156,862	163,543	9.2%
Nillumbik (S)	62,981	63,964	65,740	67,638	5.7%

Geographic Area ³	2009	2012	2017	2022	Projected change ⁴
Port Phillip (C)	94,745	98,897	105,748	112,819	14.1%
Stonnington (C)	97,767	100,030	103,904	108,045	8.0%
Whitehorse (C)	154,065	156,462	160,452	164,658	5.2%
Whittlesea (C)	147,814	168,833	202,218	231,468	37.1%
Wyndham (C)	143,014	169,556	210,553	249,380	47.1%
Yarra (C)	76,224	78,294	81,742	85,303	9.0%
Yarra Ranges (S)	146,332	147,425	149,211	151,025	2.4%
Total – Melbourne SD	3,947,730	4,145,924	4,459,229	4,764,840	14.9%
Regional Victoria					
Barwon SD	282,588	295,327	316,488	338,076	14.5%
Central Highlands SD	153,921	160,366	171,163	182,149	13.6%
East Gippsland SD	85,737	88,519	93,000	97,716	10.4%
Gippsland SD	171,139	176,959	186,733	196,952	11.3%
Goulburn SD	210,267	218,310	231,190	244,593	12.0%
Loddon SD	183,350	191,758	206,210	221,400	15.5%
Mallee SD	92,894	93,584	93,910	94,179	0.6%
Ovens-Murray SD	99,526	102,328	106,263	110,232	7.7%
Western District SD	104,407	106,307	109,162	112,214	5.6%
Wimmera SD	49,586	49,081	48,057	47,223	-3.8%
Total - Regional Victoria	1,433,416	1,482,540	1,562,174	1,644,735	10.9%
Total - Victoria	5,381,146	5,628,463	6,021,403	6,409,575	13.9%

Source: Department of Sustainability and Environment, 2009.

Notes

1. Base data: These projections are based on analysis from the 2006 Census of Population and Housing.
2. Assumptions: the projections were calculated on the basis of assumptions with respect to fertility, mortality, overseas migration, interstate migration and intrastate migration.
3. The spatial units used in these projections are based on the Australian Standard Geographical Classification (ASGC) as it was at the time of the 2006 Census. Projections are presented at state level, all Victorian Statistical Divisions and the *Local Government Areas* within the Melbourne SD. (C) = city and (S) = shire.
4. Population change between 2012 and 2022, based upon the projected population levels.

Appendix E: Regional Caps on Gaming Machine Numbers

On Thursday 12 October 2006, the Minister announced that the number of capped regions would be raised to 19. The Minister also published an order in the *Victoria Government Gazette*, under section 3.2.4 of the Act, 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
- the number of gaming machines per 1,000 adults as at the date of the order.

The 19 capped areas and the maximum number of gaming machines permitted in each area have been identified in Figure 15.

The 19 capped areas include:

- 11 areas for which the cap applies to the entire municipality
- eight areas for which sub-municipal caps apply only to specific postcodes within a municipality.

From 2010, municipal limits will apply to all uncapped municipality (with the exception of the CBD, Southbank and Docklands areas), limiting the number of gaming machines to no more than 10 per 1,000 adults.

The regional and municipal caps are subject to periodic review and amendment.

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 (see section 5.2.6 for details about the process for reducing entitlement holdings).

The Minister may alter the caps by Ministerial Order and the *Gambling Regulation Act 2003* requires regional caps and municipal limits to be reviewed at least once every five years.

Subject to the passage of legislation, the Minister's powers to set regional caps and municipal limits will be updated so the power relates to gaming machine entitlements that may be used in an area under the new industry arrangements.

The 88 areas for the Gaming Auction are capped as follows:

11 areas	that are entire municipalities, subject to a regional cap to the whole area. ¹
8 areas	that have a regional cap applied to part of the municipality.
8 areas	that are parts of a municipality and will be subject to a municipal limit of 10 gaming machines per 1,000 adults from 2010.
58 areas	that are entire municipalities, and will each be subject to the municipal limit of 10 gaming machines per 1,000 adults from 2010.
2 areas	in the Shire of Yarra Ranges municipality, which will be subject to a municipal limit of 10 gaming machines per 1,000 adults from 2010. For the purpose of the Gaming Auction, the Shire of Yarra Ranges is split in to two separate areas to account for the metropolitan and rural districts. ²
1 area	within the City of Melbourne consisting of CBD, Docklands and Southbank is uncapped.
88 areas	for the Gaming Auction.

1. City of Greater Geelong and Borough of Queenscliff are separate municipalities but have a combined regional cap by Ministerial Order.

2. Part A of the Shire of Yarra Ranges is part of the Melbourne Statistical Division, Part B of the Shire of Yarra Ranges is outside of the Melbourne Statistical Division.

Regional cap applied to whole municipality ¹	GM Cap
City of Ballarat	663
Shire of Bass Coast	216
City of Darebin	986
City of Greater Dandenong	989
City of Greater Geelong and Borough of Queenscliffe ²	1421
City of Greater Shepparton	329
City of Hobsons Bay	579
City of Latrobe	522
City of Maribyrnong	511
City of Moonee Valley	746
City of Warrnambool	234

Regional cap applied to part of the municipality ^{3,4}	GM Cap
City of Banyule postcode area 3081	31
City of Brimbank postcode areas 3012, 3020, 3021, 3022, 3023 and 3038	903
City of Casey postcode areas 3177, 3803, 3975, 3976 and 3977 (north of Browns Road)	614
City of Hume postcode areas 3043, 3047, 3048, 3060 and 3061	449
City of Melbourne postcode areas 3031, 3051 and 3053	177
City of Monash postcode areas 3147, 3148, 3166, 3167, 3168 and 3170	623
City of Moreland postcode areas 3055, 3056, 3057, 3058 and 3060	640
City of Whittlesea postcode areas 3074, 3075, 3076, 3082 and 3083	581

Municipal limit of 10 gaming machines per 1,000 adults applied to part of the municipality from 2010 ⁵
City of Banyule except postcode area 3081
City of Brimbank except postcode areas 3012, 3021, 3020, 3022, 3023 and 3038
City of Casey except postcode areas 3177, 3803, 3975, 3976 and 3977 (north of Browns Road)
City of Hume except postcode areas 3043, 3047, 3048, 3060 and 3061
City of Melbourne except postcode areas 3031, 3051, 3053, CBD, Southbank and Docklands ⁶
City of Monash except postcode areas 3147, 3148, 3166, 3167, 3168 and 3170
City of Moreland except postcode areas 3055, 3056, 3057, 3058 and 3060
City of Whittlesea except 3055, 3056, 3057, 3058 and 3060

Municipal limit of 10 gaming machines per 1,000 adults applied to whole municipality from 2010⁵

Shire of Alpine	Shire of Hindmarsh	Shire of Northern Grampians
Rural City of Ararat	Rural City of Horsham	City of Port Phillip
Shire of Baw Baw	Shire of Indigo	Shire of Pyrenees
City of Bayside	City of Kingston	Shire of South Gippsland
Rural City of Benalla	City of Knox	Shire of Southern Grampians
City of Boroondara	Shire of Loddon	City of Stonnington
Shire of Buloke	Shire of Macedon Ranges	Shire of Strathbogie
Shire of Campaspe	City of Manningham	Shire of Surf Coast
Shire of Cardinia	Shire of Mansfield	Rural City of Swan Hill
Shire of Central Goldfields	City of Maroondah	Shire of Towong
Shire of Colac Otway	Shire of Melton	Rural City of Wangaratta
Shire of Corangamite	Rural City of Mildura	Shire of Wellington
Shire of East Gippsland	Shire of Mitchell	Shire of West Wimmera
City of Frankston	Shire of Moira	City of Whitehorse
Shire of Gannawarra	Shire of Moorabool	City of Wodonga
City of Glen Eira	Shire of Mornington Peninsula	City of Wyndham
Shire of Glenelg	Shire of Mount Alexander	City of Yarra
Shire of Golden Plains	Shire of Moyne	Shire of Yarra Ranges (metro)
City of Greater Bendigo	Shire of Murrindindi	Shire of Yarra Ranges (rural)
City of Hepburn	Shire of Nillumbik	Shire of Yarriambiack

Notes

1. The areas currently subject to regional caps were set out by Ministerial Order in 2006. The Ministerial Order provided criteria for the VCGR to use for determining the maximum permissible number of gaming machines.
2. The City of Greater Geelong and Borough of Queenscliffe are separate municipalities but have a combined regional cap by Ministerial Order.
3. In eight municipalities, sub-regional caps apply. In these municipalities, a regional cap applies to designated postcodes that is different from the municipal limit applying broadly to the remainder of the municipality.
4. To account for changes in postcodes since the date of the Ministerial Order, it is intended that area maps will be produced for all capped regions, including the eight regions where sub-regional caps apply.
5. The areas subject to municipal limits were set out by Ministerial Order. The Order specifies the criterion for determining the maximum permissible number of gaming machines available for gaming in each municipal district, being a maximum of 10 gaming machines per thousand adults. The VCGR is required to make a determination with respect to municipal limits by 30 September 2009. The VCGR is committed to undertake a review of regional caps by the end of 2009. It is anticipated that the review will be completed to coincide with the VCGR's determination with regards to Municipal Limits by 30 September 2009.
6. The Ministerial Order that caps gaming machines available for gaming in a municipal district excludes the precincts of Melbourne central business district (CBD), Docklands and Southbank in the City of Melbourne. The City of Melbourne municipality is split in to three areas for the Gaming Auction, an uncapped area, an area subject to a regional cap (postcode area 3031, 3051 and 3053) and the remainder of the municipality will be subject to a municipal limit of 10 gaming machines per 1,000 adults from 2010.

Appendix F: Venue Share of Gaming Expenditure

Under the arrangements to apply from 2012, the venue share of the net expenditure from gaming will be significantly higher than the share under the current arrangements, as reflected in the indicative figures tabulated below.

Venue operators should note, however, that from 2012 they will be responsible for meeting operating costs that they are not subject to under the current arrangements, including payment for the gaming machine entitlements that have been acquired (see section 4.4).

Figure 16: Venue Share of Monthly Gaming Expenditure^{1,2,3}

Gaming Expenditure (per machine)	Hotels		Clubs	
	Current	2012	Current	2012
\$1,000	\$250	\$826	\$333	\$909
\$2,000	\$500	\$1,652	\$667	\$1,818
\$3,000	\$750	\$2,335	\$1,000	\$2,585
\$4,000	\$1,000	\$2,736	\$1,333	\$3,069
\$5,000	\$1,250	\$3,137	\$1,667	\$3,554
\$6,000	\$1,500	\$3,538	\$2,000	\$4,038
\$7,000	\$1,750	\$3,938	\$2,333	\$4,522
\$8,000	\$2,000	\$4,339	\$2,667	\$5,006
\$9,000	\$2,250	\$4,740	\$3,000	\$5,490
\$10,000	\$2,500	\$5,141	\$3,333	\$5,974
\$11,000	\$2,750	\$5,541	\$3,667	\$6,458
\$12,000	\$3,000	\$5,942	\$4,000	\$6,942
\$13,000	\$3,250	\$6,305	\$4,333	\$7,389
\$14,000	\$3,500	\$6,631	\$4,667	\$7,798
\$15,000	\$3,750	\$6,957	\$5,000	\$8,207
\$16,000	\$4,000	\$7,283	\$5,333	\$8,616
\$17,000	\$4,250	\$7,608	\$5,667	\$9,025
\$18,000	\$4,500	\$7,934	\$6,000	\$9,434
\$19,000	\$4,750	\$8,260	\$6,333	\$9,843
\$20,000	\$5,000	\$8,586	\$6,667	\$10,252
\$21,000	\$5,250	\$8,911	\$7,000	\$10,661
\$22,000	\$5,500	\$9,237	\$7,333	\$11,071

Gaming Expenditure (per machine)	Hotels		Clubs	
	Current	2012	Current	2012
\$23,000	\$5,750	\$9,563	\$7,667	\$11,480
\$24,000	\$6,000	\$9,889	\$8,000	\$11,889
\$25,000	\$6,250	\$10,214	\$8,333	\$12,298
\$26,000	\$6,500	\$10,540	\$8,667	\$12,707
\$27,000	\$6,750	\$10,866	\$9,000	\$13,116
\$28,000	\$7,000	\$11,192	\$9,333	\$13,525
\$29,000	\$7,250	\$11,518	\$9,667	\$13,934
\$30,000	\$7,500	\$11,843	\$10,000	\$14,343

Notes

1. All calculations represent the revenue available to a venue operator after the payment of State tax and the GST.
2. Gaming Expenditure = total amount wagered minus the amount returned to players in winnings.
3. The information in Figure 16 is provided for information only and must not be construed as a warranty or representation of future venue share of Gaming Expenditure.

Gaming Machine Arrangements 2012

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