

Pokie-Free Tasmania

Ready to Deliver a Five Year Plan to End Tasmania's Electronic Gaming Machine Addiction

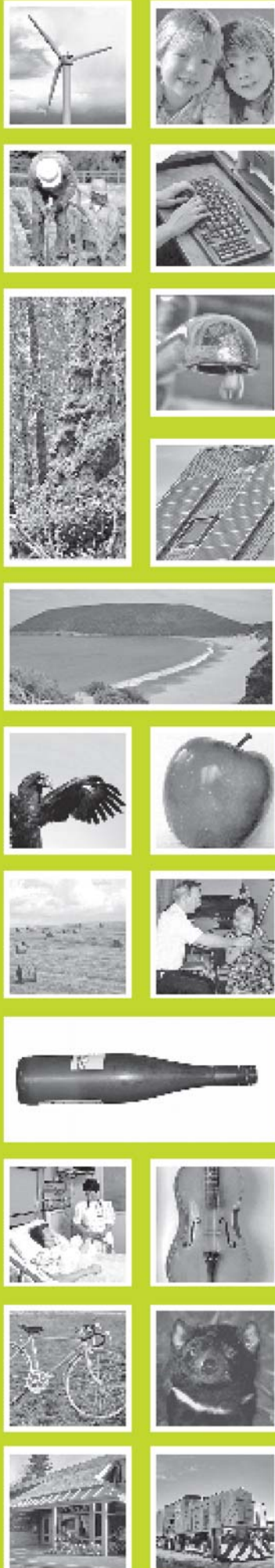
Launched by Nick McKim MP
and Kim Booth MP

February 2010

READY TO DELIVER



**POLICY INITIATIVE
OF THE TASMANIAN GREENS MPs**



Pokie-Free Tasmania

*"This groundbreaking 'Pokie-Free Tasmania' policy initiative is economically and socially responsible, and will remove all pokies from pubs, clubs and casinos over a five-year roll-back. Our community can no longer afford for action to **not** be taken."*

Nick McKim MP - Greens Leader

THE ISSUE:

- ❌ Tasmanians lose over \$18 million each month on pokies - more than \$400 annually per man, woman and child
- ❌ In 2009 alone, Tasmanians lost more than \$220 million on pokies
- ❌ The Tasmanian government's monopoly arrangement with Federal Hotels locks in a potential total of 3680 pokies
- ❌ The monopoly arrangement, the Deed of Agreement, was secretly extended for another 15 years in 2003
- ❌ Pokies are recognised as the most dangerous and addictive form of gambling currently available
- ❌ The Productivity Commission estimates that the average annual cost to the community for each problem gambler is between \$10,500 and \$33,600
- ❌ Anglicare's '*Nothing Left to Lose*' report highlights the increasing trend of people ending up before the courts and in gaol due to problem gambling
- ❌ This results in social and financial costs of relationship breakdowns, imprisonment, suicide, demands on counselling and support services
- ❌ Community, welfare and church groups have been calling for action on pokies for the last decade, only to be ignored by successive state governments as the problem intensifies

THE TASMANIAN GREENS WILL:

- ✅ Commence a five year withdrawal period, at the end of which pokies will no longer be permitted to operate in Tasmania
- ✅ This includes all pokies in Tasmania's hotels, clubs, casinos and TT-Line vessels
- ✅ Creation of a '*Pokie-Free Tasmania Adaptation Fund*' (receiving money currently lining the pockets of the monopoly holder) will see pokies fund their own removal, ensuring the proposal remains **cost neutral**
- ✅ Amend the *Gaming Control Act 1993* to end the monopoly held by Federal Hotels over Tasmanian pokies
- ✅ Provide Federal Hotels a fair and equitable exit package, negotiated by the Auditor-General
- ✅ Help venues identify and implement alternative forms of revenue raising entertainment and provide business planning assistance
- ✅ Implement harm minimisation strategies throughout the transition period, including a \$1 bet limit on all pokies
- ✅ Require casinos to contribute four per cent of gaming profits (excluding pokies) to the Community Support Fund
- ✅ End the current situation where substantial profit is made from the losses of those who can least afford to lose
- ✅ Wean the State Government off its own pokie addiction
- ✅ End the pokie stranglehold on the Tasmanian community

The Tasmanian Greens - Delivering a Pokie-Free Tasmania

This 'Pokies-Free Tasmania' proposal calls for immediate implementation of a five year transition process consisting of:

- ▲ Amending the *Gaming Control Act (1993)*, depriving Federal Hotels of their monopoly control of Tasmanian pokies
- ▲ Negotiating a fair and reasonable exit package for Federal Hotels
- ▲ Weaning the State Government off pokies revenue
- ▲ Implementing a range of harm minimisation strategies throughout the transition period (including a \$1 bet limit, as recommended by the Productivity Commission)
- ▲ Amending the *TT-Line Gaming Act 1993* to ultimately remove pokies from the TT-Line
- ▲ Reorientation of the current 'Community Support Levy' into a new 'Community Support Fund'
- ▲ Require casinos to contribute to the Community Support Fund at the same rate currently required of hotels and clubs

A core component of 'Pokie-Free Tasmania' will be the establishment of a new 'Pokie-Free Tasmania Adaptation Fund' to:

- ▲ Fund a pokie buyback scheme; and
- ▲ Assist venues in:
 - ❑ Identifying and adopting alternative forms of revenue raising entertainment to replace pokies income
 - ❑ Obtaining expert business planning assistance to readjust to operating without pokies.

Part 1: Ending the Monopoly

The first step in implementing 'Pokie-Free Tasmania' is to end the existing monopoly arrangement with Federal Hotels.

Schedule 1 of the *Gaming Control Act 1993* contains a Deed of Agreement between Federal Hotels (amongst others) and the Crown in Right of the State of Tasmania, providing an 'Exclusive Right' for operation of gaming machines, casinos and Keno within Tasmania.

It is this Deed that provides Federal Hotels with its monopoly over Tasmanian pokies, in hotel and club venues, as well as in the two casinos.

The Tasmanian Greens will introduce legislation amending the *Gaming Control Act 1993*. This amendment will:

- ▲ Vest the monopoly held by Federal Hotels in the Crown
- ▲ Commence a five year withdrawal period, at the end of which pokies will no longer be permitted to operate in Tasmania

Legality of Amending the Act

Section 7 of the *Gaming Control Act 1993* states that:

“If there is an inconsistency between a provision of this Act and a provision of the 2003 Deed, the provision of this Act prevails”.

Amending the Act will therefore end the monopoly over pokie machines without impacting upon other arrangements with regard to operating casinos and Keno.

In 2003 the Tasmanian Greens received advice from noted constitutional law expert Mr Michael Stokes on the capacity of Parliament to change the monopoly arrangement.

In summary, Mr Stokes’ advice is that:

1. “There is no limit to the power of the Tasmanian parliament to amend or repeal the deed to enact legislation which is inconsistent with it.
2. “The government will not be liable in damages or in any other remedy to Federal Hotels or the other parties to the deed if the parliament amends or repeals the deed”.

Estimated Total Value of the Pokie Monopoly

Based on the figures from the Tasmanian Gaming Commission’s Annual Report and the statutory obligations contained in the *Gaming Control Act*, the following table gives a conservative estimate of the value of the pokie monopoly held by Federal Hotels:

Table 1: Estimated Total Value of the Pokie Monopoly¹

	2004-05	2005-06	2006-07	2007-08	2008-09
	\$	\$	\$	\$	\$
Hotels & Clubs	48 652 493	41 737 293	42 811 492	44 702 667	47 221 777
Casinos	39 304 719	38 888 030	38 946 246	41 216 603	42 984 657
Estimated total value	87 957 212	80 625 323	81 757 738	85 919 270	90 206 433

The above figures indicate an estimated monopoly value:

- ▲ In excess of \$40 million in hotels and clubs; and
- ▲ In excess of \$40 million in casinos.

This suggests that the total annual value of Tasmania’s pokie monopoly is over **\$80 million**.

In 2008-09, this monopoly is estimated to be worth over **\$90 million**.

¹ In order to give the most conservative estimate of the value of the existing monopoly deal, all received licence fees have been deducted from the Gross Profit. Estimates of additional amounts paid to the monopoly holder for machine leasing and maintenance have not been taken into account.

PART 2: A Fair Deal for Venues

An Exit Package for Federal Hotels

While no legal obligation exists to compensate Federal Hotels in the event the State Parliament legislates to end their monopoly, the Tasmanian Greens believe it is responsible to negotiate a fair exit package.

To achieve this, the Auditor General will be engaged to assess the options available for negotiating a takeover of the pokie machines (which will be subsequently destroyed and recycled at the end of the transition period).

This negotiated exit package will be funded from the 'Pokie-Free Tasmania Adaptation Fund' (see Part 3), ultimately ensuring the implementation of this proposal remains cost neutral.

Assistance for Other Venues

Figures available on the Tasmanian Treasury website state that there were 2,372 pokies in 100 hotels and clubs around Tasmania, as of July 2009.

These venues will continue to receive the revenue to which they are entitled under the *Gaming Control Act 1993* in proportion with either an immediate shut-down of pokie machines or a phased roll-back.

Venues will continue to pay the current four per cent 'Community Support Levy', which will in turn be directed to the 'Community Support Fund'.

Venues (not owned or operated by Federal Hotels) can apply to the 'Pokie-Free Tasmania Adaptation Fund' (see Part 3) for funding to assist them in:

- ▲ Identifying and implementing alternative forms of revenue raising entertainment; and
- ▲ Accessing expert business planning assistance to help readjust to the pokie-free Tasmania.

Once the Fund is in place and detailed costing has been completed, incentives will be offered (for example, a bounty on pokies handed in by early adaptors) to venues adapting early to 'Pokie-Free Tasmania'.

PART 3: The 'Pokie-Free Tasmania Adaptation Fund'

Purpose and Function of the Fund

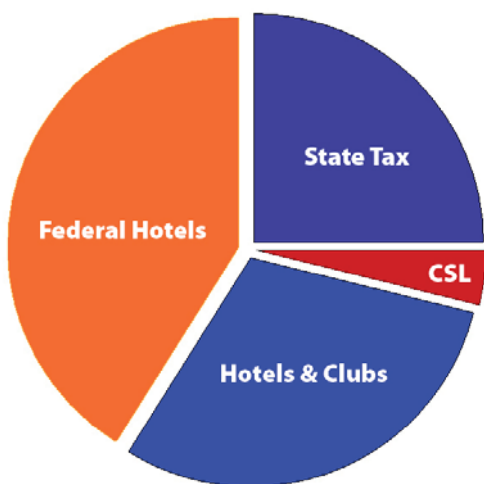
Through the legislative changes discussed above, the State Government will immediately receive a far greater share of current pokie revenue until the end of the five year transition period.

This spike in revenue will be the result of income currently flowing to Federal Hotels in its capacity as the monopoly holder being directed to the State.

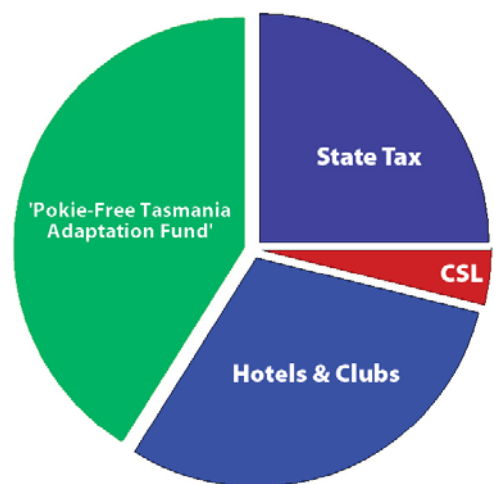
The following charts illustrate the projected change, and the quarantining of additional revenue in the Fund:

APPROXIMATE DISTRIBUTION OF POKIE REVENUE IN HOTELS AND CLUBS

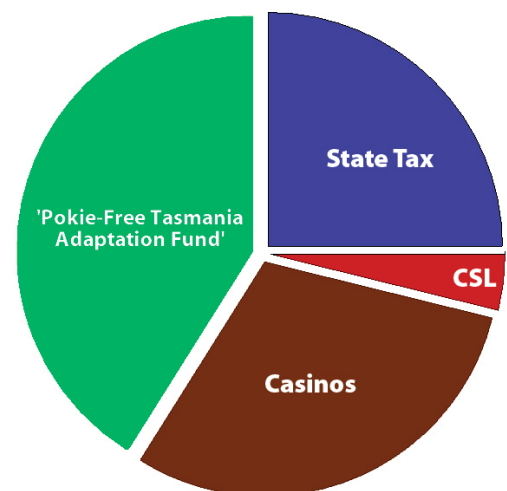
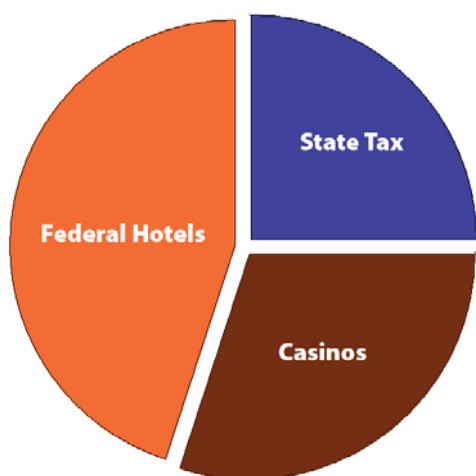
Current



Pokie-Free Tasmania



APPROXIMATE DISTRIBUTION OF POKIE REVENUE IN CASINOS



Based on 2008-09 figures, the Fund could potentially receive \$180 million over the five year transition period, factoring in a set percentage decrease in the current number of pokies around Tasmania.

However, it is important to note this total is likely to be much lower as a result of implementation of a range of harm minimisation strategies (including a \$1 bet limit) will see pokies become less profitable.

The 'Pokie-Free Tasmania Adaptation Fund' will serve three broad purposes:

- ▲ Funding a fair and reasonable exit package for Federal Hotels;
- ▲ Funding assistance for the 100 hotels and clubs affected by the ban on pokies; and
- ▲ Ensuring the State Government does not profit from the implementation of this proposal, ultimately being weaned off its own pokie revenue addiction.

Table 2: Projected amount directed to the 'Pokie-Free Tasmania Adaptation Fund'

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
# pokies	3 652	3 652	2 922	2 191	1 461	730	0
% decrease on 08/09 level	....	....	20	40	60	80	100
\$ Federal Hotels (est)	90 206 433	90 206 433	....	....	....	....	....
\$ PFTA Fund (est)	....	....	72 165 147	54 123 860	36 082 573	18 041 287	0

The above table provides an estimate of revenue to be directed to the 'Pokie-Free Tasmania Adaptation Fund' based on an annual 20 per cent reduction on current pokie numbers.

These estimates do not take into account decreased revenue through the implementation of additional harm minimisation measures, or the likelihood of a more rapid decrease in pokie numbers.

Regardless of the final breakdown of numbers, the end result will be the same:

... a 'Pokie-Free Tasmania'

PART 4: Revenue & Savings Implications

Weaning the State off Pokies Revenue

*"...any effective further interventions to reduce the incidence of EGM [pokie] problem gambling will, inevitably, reduce turnover from EGMs [pokies] and therefore reduce the taxation return to Government and the profitability of gaming service providers. In fact such revenue reductions must be seen as perhaps the primary indicator that any further interventions have worked."*²

Federal Hotels is not alone in profiting from the losses of the Tasmanian community. The Tasmanian Government also takes a cut of the revenue, which in 2008-09 was over **\$56 million**.

The Greens' call for a total review of the State's taxation base includes identifying alternatives to pokie revenue (as well as ensuring the continuation of the Community Support Levy as a new Community Support Fund).

Currently the amount of pokie revenue received by the State represents less than six per cent of total taxation revenue and 1.3 per cent of total State revenue. However, it is reported that the cost to the Crown far exceeds this amount.

The following table estimates the potential tax revenue implications of 'Pokie-Free Tasmania' based on 2008-09 figures, outlining the potential rate of decrease in pokie tax revenue before its ultimate end.

Table 3: Taxation impact of proposal

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
# of pokies	3 652	3 652	2 922	2 191	1 461	730	0
% decrease on 08-09 level	.....	.....	20	40	60	80	100
Current forecast tax receipts	56 270 953	56 270 953	56 270 953	56 270 953	56 270 953	56 270 953	56 270 953
Projected receipts under proposal	56 270 953	56 270 953	45 016 762	33 762 572	22 508 381	11 254 191	....
Decrease	....	....	11 254 191	22 508 381	33 762 572	45 016 762	56 270 953

New Harm Minimisation Measures

Again, these figures are estimates based on 2008-09 pokie losses. The actual amount is likely to be reduced through the simultaneous implementation of additional harm minimisation strategies.

One of the core features will be the introduction of a \$1 bet limit on all Tasmanian pokies, replacing the recently introduced \$5 bet limit in hotels and clubs and unlimited betting on casino pokies.

Casinos will also be required to contribute a percentage of their gaming revenue to the reorientated Community Support Fund. At present, casinos are exempt from contributing to the Community Support Levy.

² Tasmanian Gaming Commission, *Social and Economic Impact Study into Gambling in Tasmania: Policy Responses*, October 2008: pg 6

Revenue Forgone - Offset by Savings and New Revenue

The Greens' *Alternative Budget Statements* have identified that a progressive withdrawal of pokies over a set period will see corresponding government revenue forgone.

The proposed five year adaptation period will be the opportunity for alternative State revenue streams to be identified.

We also expect to see greater stimulation of small business and local economies, as well as a decreasing demand for agency support by those affected by gaming, which will offset forgone revenue.

Savings: \$20 million to \$60 million annually

While the figures in Table 3 above project the potential decrease in revenue, they do not account for savings made to the economy or the community through creating a '*Pokie-Free Tasmania*'.

For example, the recent Productivity Commission Draft Report into Gambling demonstrated that the average cost to the community per problem gambler ranges from \$10,500 to \$32,600 annually.

There are an estimated 1,889 problem gamblers in Tasmania, which means the potential strain on the community could range, at a conservative estimate, anywhere from \$20 million to \$60 million annually.

State reliance upon revenue derived from pokies is clearly false economy.

New Revenue: Casinos to Pay into Community Support Fund

At present, hotels and clubs are required to contribute a percentage of their pokie profits to the Community Support Levy. In 2008-09, this Levy saw over \$5 million paid in the form of grants to worthy community projects and organisations.

Under the '*Pokie-Free Tasmania*' proposal, casinos will be required to pay a levy on all gaming profits, at the same 4 per cent rate that hotels and clubs have been required to contribute.

Casinos do not currently pay the levy, so this will provide an ongoing funding source for the Community Support Fund which will ensure positive community projects will still have access to these grants.

PART 5: Why Have a Pokie-Free Tasmania?

"[Pokies] are the most dangerous mode of gaming especially for those individuals most likely to become problem gamblers"³

The capacity of problem gambling to devastate lives, families and communities has been well documented.

The Productivity Commission Draft Report into Gambling states, *"different gambling forms pose varying risks for people, with gaming machines posing the greatest problems."* The Report also cited a 2007 Tasmanian survey in which 93% of identified problem gamblers who played the pokies, made their biggest loss on the pokies.

The Tasmanian Gaming Commission's Report to the Treasurer of 2008 states, *"currently, and in the immediate future, EGMs [pokies] cause and have the greatest potential for harm."*

A Recognised Social Harm

The Productivity Commission's Draft Report into Gambling highlights many of the social harms attributable to gambling – pokies in particular - which include:

- ▲ On average, five to ten people are directly affected for every individual problem gambler;
- ▲ Pokies are the key driver in many of the theft, relationship breakdowns, mental illnesses, bankruptcies and suicides associated with problem gambling.

Since pokies were introduced to Tasmania in 1997, only one study has been conducted into the social and economic impacts.

This Report, the *Social and Economic Impact Study into Gambling in Tasmania* was released in June 2008, well after the introduction of pokies, the original Deed of Agreement and the 2003 Deed of Agreement.

It notes that of Tasmanians surveyed;

- ▲ 84.2% believe gambling is too widely accepted;
- ▲ 82.3% view pokies as a serious social problem;
- ▲ 83.6% believe the number of pokies should be reduced;
- ▲ 69.3% don't view pokies as being good for local communities.

It is clear from these statistics that the majority of Tasmanians are not only aware of the seriousness of this issue, they are also crying out for action.

Many of the NGOs, church groups and agencies operating at the coal face of dealing with individuals and families affected by problem gambling have long advocated the rollback of pokies, the Tasmanian Gaming Commission has also put forward an argument for greater regulation.

³ Tasmanian Gaming Commission, *Social and Economic Impact Study into Gambling in Tasmania: Policy Responses*, October 2008: pg 9

PART 6: Where Does the Money Go Now?

Tasmanians are losing over **\$18 million** each month to the **3,652 pokies** around the State.

This equates to an annual loss of **over \$400 for every single man, woman and child.**

These losses ('Gross Profit' in the Act and 'Player Expenditure' by the Tasmanian Gaming Commission) are distributed according to whether they occur at the 1,280 casino pokies or the 2,372 pokies in hotels and clubs.

Pokies in Tasmanian Hotels and Clubs

Losses to these machines are distributed in four ways:

- ▲ **The State** receives a percentage in tax;
- ▲ A **Community Support Levy** of four per cent is paid to the State;
- ▲ The **Venue Operator** receives either 30 or 32 per cent (dependent upon the nature of the venue's licence); and
- ▲ The remainder goes to **Federal Hotels** as the monopoly holder.

Table 4: Distribution of Gross Profits from Pokies in Hotels and Clubs⁴

	2004-05	2005-06	2006-07	2007-08	2008-09
	\$	\$	\$	\$	\$
Total Player Expenditure	125 713 622	109 421 478	112 154 027	117 297 777	123 977 312
ESTIMATED GOVERNMENT RECEIPTS					
Total Tax	31 516 418	28 011 133	28 712 264	30 047 861	31 799 699
CSL (est)	5 028 545	4 376 859	4 486 161	4 691 911	4 959 092
Venue Licence Fees	287 807	281 320	254 821	320 049	324 004
Total Gov Receipts	36 832 770	32 669 312	33 453 246	35 059 821	37 082 795
ESTIMATED NON-GOVERNMENT RECEIPTS					
After Tax Amount	88 880 852	76 752 166	78 700 781	82 237 956	86 894 517
Statutory % to venues	40 228 359	35 014 873	35 889 289	37 535 289	39 672 740
Minimum Monopoly Value (est)	48 652 493	41 737 293	42 811 492	44 702 667	47 221 777

⁴ Based on Per TGC Annual Report and statutory requirements under *Gaming Control Act 1993*

Pokies in Tasmanian Casinos

Losses to casino pokies are split in three ways:

- ▲ **The State** receives a percentage in tax (until 1 July 2013 this is either 20.88 per cent or 25.88 per cent, depending on whether cumulative gross profit is above or below \$35 million) ;
- ▲ The **Casinos** (as the venue operators) receive 30 per cent; and
- ▲ The remainder goes to **Federal Hotels** as the monopoly holder per the 2003 Deed of Agreement.

Unlike hotels and clubs, casinos are not currently obliged to contribute to the Community Support Levy.

Table 5: Distribution of Gross Profits from pokies in casinos⁵

	2004-05	2005-06	2006-07	2007-08	2008-09
	\$	\$	\$	\$	\$
Total Player Expenditure	93 377 417	90 657 981	91 338 831	96 640 260	100 809 015
ESTIMATED GOVERNMENT RECEIPTS					
Total Tax	23 301 873	21 718 957	22 076 137	23 433 959	24 471 254
CSL (est)	....	....	....	....	....
Casino Licence Fees	2 757 600	2 853 600	2 914 799	2 997 620	3 110 400
Total Gov Receipts	26 059 473	24 572 557	24 990 936	26 431 579	27 581 654
ESTIMATED NON-GOVERNMENT RECEIPTS					
After Tax Amount	67 317 944	66 085 424	66 347 895	70 208 681	73 227 361
Statutory % to casinos	28 013 225	27 197 394	27 401 649	28 992 078	30 242 705
Minimum Monopoly Value (est)	39 304 719	38 888 030	38 946 246	41 216 603	42 984 657

⁴ Based on Per TGC Annual Report and statutory requirements under *Gaming Control Act 1993*

Your Greens Representatives in Tasmania's State Parliament



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