



THE
CANBERRA
INSTITUTE



Mr B. Smyth MLA
Chair
ACT Legislative Assembly Committee

Inquiry into the ACT Club Industry

Please find enclosed a copy of ARKO Pty Ltd

Proposals to the ACT Gaming Commission

Discussion Points: -

- ARKO Pty Ltd
- Role of clubs in ACT social development
- 19015 study into club and amalgamations – Community Title land uses
- ARKO's proposals to ACT Gaming Commission
- COAG and competition policy

Peter Conway
Director

14.5.15

A.C.T. LEGISLATIVE ASSEMBLY COMMITTEE OFFICE	
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Attachment

Part A "Gaming Machines – A level playing field in the legal entitlement of Class C machines to both ACT Clubs and existing Hotels and Taverns".

1. Background

(a) Some 20 to 30 years ago Hotels and Taverns in the ACT were granted permission by the Government to have restricted poker machines on their premises. A maximum allocation of 10 machines was offered to those premises which had provision of 12 rooms accommodation and the lesser entitlement of two machines for other hotels and taverns which did not provide for accommodation (eg PJ O'Reillys Tuggeranong, O'Neills Dickson, Moby Dicks Tavern). We recall the reasoning behind this legislation was, from memory, to more or less provide a level playing field with hotels and taverns in NSW who were able or about to be granted poker machine entitlements.

(b) Both The Kambah Inn and The Statesman (which had accommodation) immediately took up their maximum entitlement of 10 machines (Class B). At the time, these particular (Class B) machines were, with other types of machines (Class C), purchased by Clubs in the ACT and NSW. Despite returning the same legislated percentage of return to the players the Class B machines were soon discarded or replaced by Clubs as being unattractive to prospective players due to their limited and boring features or rather lack of features.

(c) The rationale for limiting the types of machines to Hotels and Taverns was that they were privately owned and not "not-for-profit" organisations such as the clubs. Indeed, it fitted in well with the ACT Governments Community Gaming Model which, quite correctly in our view, recognised the valuable role that "not-for-profit" clubs played in the ACT by providing:-

- (i) direct financial contributions to community based organisations;
- (ii) sporting and community structures (gyms and halls);and
- (iii) venues or a hub for locals to meet.

2. Present Problems for Hotels and Taverns with Class B Machines becoming obsolete and the opportunity for a solution.

(d) Unlike our NSW competitors across all our borders ACT Hotels and Taverns are now *the only* market for Class B machines ie. – the draw poker type of machines. There are only 68 of these machines in the ACT and as a result past suppliers of these machines do not manufacture or update these types of machines anymore. Repairing these old worn machines is rapidly becoming a real problem. In other words they have well and truly attained their “use-by-date”. Also, as a result Hotels and Taverns been unable to purchase similar but advanced technology Class B machines which are constantly available in the Class C Machines. In other words the margin of attractiveness of Club machines over Hotel machines is continually increasing.

(e) We submit that a possible and proper solution that would address this problem and also allow Hotels and Taverns to participate in an eventual trading scheme of poker machine entitlements on an equal footing with clubs would be to compel Hotels and Taverns to contribute the same compulsory community contributions for specific community purposes as Clubs. In return for Hotels and Taverns having the same conditions applied to them as Clubs re compulsory contributions we submit that they in turn should be able to upgrade their Class B Machines to Class C Machines.

(f) Our reasoning for the creation of this level playing field concept is three fold:-

- (i) it will remove once and for all the problem of dealing with obsolete Class B machines;
- (ii) It will place Hotels and Taverns in a position where they can be part of any trading scheme on an equal footing with Clubs thus putting in place an enabling procedure for them to assist the ACT Government in reducing the total number of Poker Machine entitlements to 4000 from its existing no of 4954 in the ACT; and most importantly,
- (iii) Increase the level of community based contributions.

(g) As an aside I would point out that The Kambah Inn and The Statesman Hotel have been providing direct contributions to our local community groups since our ownership of these venues in 1983 and 1985 respectively. At times community contributions and sponsorships have been far in excess of the minimum compulsory contributions required by clubs and they were made voluntarily before they were even granted access to poker machine revenue. For example, The Kambah Inn provided the venue (free) and financial assistance to the extent of \$5000 per year for many years for the establishment of the "Tuggeranong Junior Rugby League Club – The Buffalos" which had some 23 teams at the time, as I recall.

(h) The creation of a level playing field would remove the indirect disadvantages of trading that we suffer vis a vis the Clubs trading advantages. The provision of drinks and meals is heavily subsidised at Clubs and provides a direct and immediate disadvantage to local patrons and groups to attend our venues. This is a direct result of the increased revenue that clubs receive from higher poker machine revenue in 2012. By our calculations average Poker Machine weekly revenue in Clubs was \$395 per machine compared to \$184 per machine for Hotels and Taverns (indeed the \$184 figure is distorted upwards by two outlets who have no accommodation, do not voluntarily make community based contributions and have only two machines at each venue). With a level playing field Hotels and Taverns would also be able to provide increased financial contributions to specific community based groups and be able to explore a greater diversity of revenue sources than they presently utilise.

(I) At present it appears only three of the 10 Hotels and Taverns make voluntary contributions to community based groups. We submit that with the increased compulsory contributions from Hotels and Taverns that the ACT Government might consider allowing 50% of the minimum compulsory contribution to be made and reported by the venue and the remaining 50% to be paid to a "community chest" administered by the ACT Government to aid those parts of the community that miss out a present because of geographical location or other reasons (eg not considered to be with in the vicinity of the Club or Hotel or Tavern).

(j) Also to further assist the Government in preventing problem gambling our two Hotels would also be happy to have Class C Machines with a fixed maximum of \$1 bet. This would provide a first step that would provide the impetus for this same reduced maximum to be adopted at other venues across the ACT and indeed Australia.

(k) Finally, I would also like to stress that this solution would enable Hotels and Taverns to be in a position that they, too, can be a part of any proposed transfer and trading scheme. This would assist in the ACT Governments proposal to reduce the number of machines by making provision for Hotels and Taverns to divest themselves of underutilised machines and enable greater diversity of revenue sources that are not gambling based (eg purchase of Karaoke machines, amusement machines etc)

PART B:- Our Preference The NSW transfer scheme.

(l) Our position is that we would be happy to be part of any transfer or trading scheme that the ACT Government may adopt to promote :-

- (i) distribution of machines more efficiently ;
- (ii) divesting of machines that are under utilised and enhancing greater diversity of revenue sources that are non gambling based and,
- (iii) support gambling reduction.

(m) Our preferred option would be for the NSW Scheme because:-

- (i) we are surrounded on all sides by NSW and there would be a perceived simplicity in having the same transfer arrangement apply within the ACT as applies immediately outside its borders.
- (ii) trades in NSW take place in blocks of two or three with one entitlement per block forfeited. This would facilitate the hotels and taverns with only two entitlements being able to participate.

(n) In response to the other specific questions raised in the discussion seeking interested parties views is that;

- (i) the forfeiture arrangement should not change once the overall target of 4000 EGM's is reached because it would create uneven treatment of trades depending only on the time at which the trades are made. Also one would assume that once the target is reached there will be very few trades being done;
- (ii) a levy per EGM be introduced ^{based on the average return} for all machines in the ACT. This will encourage forfeiture and trading of machines that do not attain the average return. It would be expected that smaller number venues would have no problem in attaining the average return due to the laws of supply and demand and if they don't they would have more of an incentive to trade or forfeit their entitlements . It is not possible for us to comment on the level of administrative fees or the amount of any EGM levy as we feel any input would not be appropriate, given our history of not having Class C machines and the relative low numbers of our entitlements.