

Estimating the revenue share of the Farrell Group and other gambling industry participants from gambling operations in Tasmania

Discussion paper

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The preparation of estimates and other material presented in this paper was the responsibility of the author, and relies on reasonable assumptions detailed in the text. These estimates are not intended for commercial and related purposes and should not be relied on for such purposes. However, the author has utilised all reasonable means to ensure the reliability of the material presented in this paper, and offers it as a contribution to public debate on the important issue of appropriately regulating, licensing and taxing gambling operations in Tasmania.

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Summary

Tasmanian legislation provides for a single operator for electronic gambling machines (EGMs) located in hotel and club EGM venues in Tasmania, and for a monopoly operator of the state's two casinos.

Hotels and clubs wishing to operate EGMs must reach agreement with the monopoly operator, the Farrell Group, and be a licensed operator. There are 89 hotel EGM venues, and 7 club venues in Tasmania. Twelve hotel venues are also directly operated by a subsidiary of the Farrell Group, Vantage Hotels. Farrell Group is also the state's monopoly casino operator.

In 2016-17, EGMs in Tasmanian clubs and hotels generated net gambling revenue (NGR) of \$109,940,256. Of this, the author estimates that Vantage Hotels venues generated NGR of \$29,287,244. Hotels operated by non-Farrell Group entities generated NGR of \$77,753,803 and clubs generated revenue of \$3,033,395.

Of the total NGR generated by each venue, 32% is retained by clubs (\$970,686, or 0.9% of total NGR) and 30% by non-Vantage Group hotels (\$23,326,141, or 21.2% of total NGR). Tax, the community support levy and license charges amount to \$33,106,751, or 30.1% of aggregate NGR. Vantage Group hotels retained NGR of \$8,745,917.

Network Gaming, a Farrell Group subsidiary, collected a total of \$43,790,760 in fees for provision of EGMs and associated services, including \$11,657,147 notionally charged by Network Gaming to Vantage Hotels. This amounts to 39.8% of total Tasmanian NGR.

In aggregate, Farrell Group companies retained an estimated \$52,536,677 from the operation of EGMs in hotels and clubs in Tasmania in 2016-17. This amounts to 47.8% of total EGM revenue. These data are shown in Table A.

Table A: Revenue share – Tasmanian EGMs in hotels and clubs 2016-17

Industry segment	NGR post EGM tax etc	Share of total NGR
Hotel	\$23,326,141	21.2%
Club	\$970,686	0.9%
Farrell Group	\$52,536,678	47.8%
Tax etc	\$33,106,751	30.1%
<i>Total</i>	<i>\$109,940,256</i>	<i>100.0%</i>

Additionally, the Farrell Group retained revenue of \$51.7 million from operation of the state's two casinos. In total, EGM and casino operations in Tasmania are estimated to have generated post gambling tax revenue of \$104.24 million in 2016-17.

The paper also estimates the costs of gambling harm to the Tasmanian as \$341.58 million, more than three times the total gambling tax revenue accrued by the state in 2016-17.

Policy implications of the policies advanced by the Liberal Party, ALP, Tasmanian Greens and Jacqui Lambie Network are also discussed.

Introduction

Mulawa Holdings Pty Ltd, trading as the [Farrell Group](#) ('Farrell Group'), owns and operates a subsidiary, [Vantage Hotel Group](#) Pty Ltd (Vantage Hotels), which owns and operates 12 hotel electronic gambling machine (EGM) venues in Tasmania. Through its subsidiary [Network Gaming](#) ('Network Gaming') Farrell Group also owns all poker machines operated in hotels and clubs throughout the state. Network allocates EGMs to individual hotels and clubs via agreement, pursuant to the deed appended to the [Tasmanian Gaming Control Act 2003](#).

The purpose of this paper is to estimate the revenue derived by Farrell Group, and other industry segments, from these arrangements.

Estimating revenue share

NET GAMBLING REVENUE - EGMS IN CLUBS AND HOTELS.

In 2017, there were 2,365 EGMs operated in hotels and clubs in Tasmania. These were available in 96 venues. Seven of these venues were clubs, and they operated a combined 127 EGMs. The remainder, 89, were hotels, operating a total of 2,238 EGMs.

In 2016-17, EGM net gambling revenue (NGR) (i.e., the amount lost by EGM users) from hotels and clubs was \$109,940,256. Thus, average expenditure per EGM across Tasmania was \$46,486. The amount of NGR per local government area (LGA) varied considerably. In the LGA of Glenorchy, average NGR per EGM was \$74,589. In Northern Midlands, it was \$25,428.

PREDICTORS OF EGM DENSITY AND EXPENDITURE FOR TASMANIA

There are significant correlations between the density of EGMs (i.e., the number or EGMs per 1,000 adults) and the relative disadvantage of local areas (the [SEIFA Index of Relative Socioeconomic Disadvantage](#), or IRSD) ($R^2=0.52$); between the average expenditure per adult and the IRSD ($R^2=0.67$); and between the density of EGMs and the average expenditure per adult ($R^2 = 0.55$).

In other words, socioeconomic disadvantage strongly predicts the density of EGMs and the average expenditure per adult at the local government level. Less advantaged, or more socio-economically stressed areas have more EGMs and spend more money on a per capita basis than less disadvantaged areas. This is consistent with other studies (e.g., [Rintoul et al 2013](#)).

DISTRIBUTION OF VANTAGE HOTEL EGMS

Farrell Group owns all EGMs in Tasmania, and licences these to individual operators in hotels and clubs. Farrell Group also owns and directly operates all EGMs in Tasmania's two casinos. This paper focuses on estimating Farrell Group's revenues derived from EGMs in hotels and clubs. However, casino revenue in 2016-17 was in excess of \$70 million, on which \$18.75 million was paid in casino tax. Note that published data

aggregates casino and Spirit of Tasmania data, which totals \$71.95 million. There are 36 EGMs on the Spirit of Tasmania vessels, which could reasonable be estimated to generate \$1.8 million in NGR p.a., and to pay tax of \$465,000 p.a. Casino NGR is thus about \$70 million, on which tax of \$18.3 million (26%) was paid. In addition to the total gambling revenue estimated below, Farrell Group companies involved in casino gambling are estimated to provide an additional \$51.7 million p.a.

Table 1: Net Gambling Revenue per EGM, Tasmanian LGAs

LGA	NGR/EGM	Factor
Burnie	\$64,512	1.4
Central Coast	\$50,416	1.1
Clarence	\$54,237	1.2
Combined Municipalities*	\$36,899	0.8
Devonport	\$46,151	1.0
Dorset	\$30,976	0.7
Glenorchy	\$74,589	1.6
Hobart	\$36,589	0.8
Launceston	\$46,146	1.0
Northern Midlands	\$25,428	0.5
Sorell	\$32,208	0.7
Waratah/Wynyard	\$47,904	1.0
West Coast	\$28,705	0.6
West Tamar	\$33,072	0.7
<i>Tasmania</i>	<i>\$46,486</i>	<i>1.0</i>

Source: [Tasmanian Liquor & Gaming Commission](#); calculations by the author

Combined municipalities are: Break O'Day, Brighton, Circular Head, Derwent Valley, George Town, Huon Valley, Kentish, Kingborough, Latrobe, Meander Valley, Southern Midlands and Glamorgan-Spring Bay

Vantage Hotels owns and operates 12 hotels. Four of these are located in the LGA of Glenorchy, two in Launceston, and one each in Devonport, Central Coast, Waratah/Wynyard, Brighton, Latrobe and Clarence. Average EGM expenditure per EGM for LGAs in Tasmania is shown in Table 1, together with the average for Tasmania, and the factor by which the average differs from the Tasmanian average for each such LGA.

Vantage Hotels are mostly located in LGAs with at or above average EGM expenditure. The exceptions to this are the two venues located in 'Combined Municipalities', for which specific EGM data are not publicly available. The distribution of EGMs operated by Vantage Hotels is shown in Table 2.

Table 2: Vantage Hotel EGMs by LGA, Tasmania

LGA	Total for LGA		Vantage within LGA		Vantage % of total	
	EGMs	Venues	EGMs	Venues	EGMs	Venues
Glenorchy	270	9	120	4	44.4%	44.4%
Devonport	230	8	30	1	13.0%	12.5%
Central Coast	135	5	30	1	22.2%	20.0%
Waratah Wynyard	110	4	30	1	27.3%	25.0%
Brighton	60	2	30	1	50.0%	50.0%
Latrobe	50	2	30	1	60.0%	50.0%
Clarence	180	6	30	1	16.7%	16.7%
Launceston	366	14	60	2	16.4%	14.3%
<i>Tasmania</i>	<i>2,365</i>	<i>96</i>	<i>360</i>	<i>12</i>	<i>15.2%</i>	<i>12.5%</i>

Source: [Tasmanian Liquor & Gaming Commission](#); calculations by the author

HOTEL AND CLUB NGR PER EGM

Tasmanian authorities do not publicly disclose NGR at the venue level, asserting the necessity of protecting commercially sensitive information. This policy is broadly adopted across Australian jurisdictions, with the exception of Victoria and the ACT. In Victoria, such data are publicly disclosed on a monthly basis via the regularly updated website of the [Victorian Commission for Gambling and Liquor Regulation](#) (VCGLR). Victoria permits the operation of EGMs in both hotels and clubs, and has a policy of licensing approximately equal numbers of EGMs between the two styles of non-casino venue.

Victorian data indicate that EGMs situated in hotels generate NGR at about twice the rate of EGMs located in clubs. That is, in 2016-17 hotel EGMs each generated an average of \$125,237 per annum, compared to club EGMs, which averaged \$70,927 per EGM per annum. The Victorian average NGR per EGM was \$98,977 per annum. The 263 hotels operating EGMs had a total of 13,617 EGMs, compared to the 239 clubs operating EGMs which had a total of 12,748. There was thus an average of 53.3 EGMs per club venue, and 51.8 per hotel venue.

Hotels are thought to generate significantly higher NGR per EGM because hotels are more commercially oriented, generally operate for longer hours than clubs, are more anonymous and don't require membership or 'signing in', and are less subject to surveillance (i.e., club members are more likely to be both aware of intense gambling behaviours by other patrons and be more likely to be conscious of being observed). A recent study ([Rintoul et al 2017](#)) demonstrates that codes of conduct, requiring observation of gamblers in venues in order to determine signs of gambling harm, are frequently ignored. Thus, whereas club members or guests may be conscious of the

scrutiny of their peers, there is much less likelihood of scrutiny and/or associated interventions in a hotel venue.

A single large operator, Australian Leisure & Hospitality Group Pty Ltd (ALH), a subsidiary of the Woolworths Ltd grocery and liquor retail chain, operates a substantial proportion of the EGMs in Victoria. [VCGLR data](#) indicate that ALH has 76 venues (28.9% of the hotel venues operating in Victoria) and 4,662 EGMs (34.2% of the hotel EGMs). Collectively, these EGMs generated NGR of \$652,347,974 in 2016-17, equivalent to 38.3% of hotel NGR in that state. Each EGM in an ALH venue averaged \$139,929 per annum, equivalent to 1.12 times the hotel average, 1.41 times the overall average and 1.97 times the club average NGR per EGM in Victoria. Each ALH venue averaged 61.3 EGMs, about 17% higher than the state average as discussed above.

ALH operates gambling venues around Australia (including four in Tasmania) and is clearly effectively managed in terms of NGR performance. The likelihood is also that, because of extensive holdings across the state, and capacity to identify the most lucrative locations and operating styles for venues, ALH is able to maximise NGR compared to other operators. This is likely a function of efficient business analytics based on large geographically and socio-economically dispersed data sources. Some ALH venues have NGR per EGM of over \$200,000 p.a., such as the Keysborough Hotel, with an average of \$212,445 in 2016-17. The 9th decile for ALH NGR per EGM (i.e., the lowest performing of the top 10% highest performing ALH venues) was \$190,000 p.a. This is equivalent to 1.5 times the average hotel EGM in Victoria.

ESTIMATING VANTAGE HOTELS AVERAGE NGR

Vantage has the advantage, compared to its rivals, of access to data via Network Gaming, another Farrell Group subsidiary, which manages the distribution and operation of all EGMs across Tasmania. Network Gaming is responsible for collecting revenue information and remitting taxation to the relevant Tasmanian government authorities. In exchange for providing and maintaining EGMs within venues, undertaking financial scrutiny, and making tax payments in respect of EGM revenues, Network Gaming charges venues a fee. This fee adds to the net revenue acquired by Farrell Group from EGM operations.

However, access to EGM data is likely to provide additional significant advantages to Vantage Hotels, analogous to the advantages enjoyed by ALH as discussed briefly above. That is, access to state wide data assists in selection of venues and in identifying specific high performing EGM games. Access to such data and the ability to

implement decisions derived from data is likely to considerably increase NGR per EGM, as is the case with ALH in Victoria.

EGMs in Tasmania are likely to generate NGR in patterns similar to those in other states, including Victoria. For reasons outline above, club based EGMs can be expected to generate NGR at a rate significantly below that of hotel based EGMs. This is particularly so, given that there is a paucity of club EGM venues in Tasmania, and that on average they are considerably smaller (i.e., accommodate fewer EGMs) than hotel venues. If it is assumed that club EGMs produce NGR at half that of hotel EGMs, the following equation produces estimates of average club and average hotel NGR:

$$(N_h \times 2r) + (N_c \times r) = R$$

where:

N_h = number of hotel EGMs

N_c = number of club EGMs

r = NGR per EGM

R = Total NGR

Total NGR in 2016-17 (R) was \$109,940,256. There were 2,238 Hotel EGMs and 127 club EGMs. Thus,

$$2 N_h r + N_c r = \$109,940,256$$

$$4,476 r + 127 r = \$109,940,256$$

$$r = \frac{\$109,940,256}{4,603}$$

$$r = \$23,885.$$

Accordingly, average NGR per club EGM is estimated at \$23,885, and average NGR per hotel EGM is estimated at \$47,770.

Aggregate NGR for clubs is estimated at \$3,033,395 (2.8% of total NGR). Aggregate NGR for hotels is estimated at \$106,909,260 (97.2% of total NGR).

Applying these averages to the 360 EGMs in hotels operated by Vantage Hotels would see a base NGR estimate of \$17,197,200 (360 x \$47,770).

However, as noted above, significant operators with access to EGM data from across the jurisdiction are likely to improve their returns compared to single venues. In Victoria, ALH EGMs perform at an average level equivalent to 1.12 times the average

hotel EGM. Applying this factor to the Vantage hotels would indicate average NGR revenue of \$52,502. Across the 12 venues operated by Vantage, this would produce NGR of \$18,900,720.

Locational factors will also affect the revenue that Vantage Hotels generate. The areas where Vantage Hotels operate are all at or above the Tasmanian average NGR, as shown in Table 1. Applying both the factors set out in table 1, and the 'proprietary' factor of 1.12 to Vantage produces the average NGR set out in Table 3. For example, the factor applying to Glenorchy is 1.6. Applying the proprietary factor of 1.12 to this produces a modified factor of 1.8. Thus, Vantage Hotel EGMs in Glenorchy can be expected to generate average NGR of \$85,847 p.a. (i.e., 1.8 times \$47,770).

On this basis Vantage EGMs in Glenorchy produce aggregate NGR of \$10.3 million p.a., or 51.2% of total NGR in that LGA. Across Tasmania, Vantage Hotels' 360 EGMs would produce aggregate NGR of \$23.6 million p.a., equivalent to 21.4% of total NGR.

Table 3: Estimates of Vantage Hotel NGR per LGA

LGA	Modified factor	Vantage EGMs	Vantage NGR/EGM	Vantage Total	LGA Total NGR	Vantage %
Glenorchy	1.80	120	\$85,847	\$10,301,667	\$20,139,049	51.2%
Devonport	1.11	30	\$53,117	\$1,593,506	\$10,614,734	15.0%
Central Coast	1.21	30	\$58,026	\$1,740,773	\$6,806,183	25.6%
Waratah	1.15	30	\$55,134	\$1,654,028	\$5,269,424	31.4%
Wynyard						
Brighton	1.12	30	\$53,502	\$1,605,072	-	-
Latrobe	1.12	30	\$53,502	\$1,605,072	-	-
Clarence	1.31	30	\$62,423	\$1,872,690	\$9,762,612	19.2%
Launceston	1.11	60	\$53,111	\$3,186,647	\$16,889,342	18.9%
<i>Tasmania</i>		<i>360</i>	<i>\$65,443</i>	<i>\$23,559,455</i>	<i>\$109,940,256</i>	<i>21.4%</i>

Sources: [Tasmanian Liquor & Gaming Commission](#); Calculations by the author

SUPPLEMENTARY DATA

After the above estimates were calculated, data purporting to describe the ‘top 20’ EGM venues in Tasmania was released by the Independent Federal MP for Denison, and [published by the ABC](#).

These data indicate that Vantage Hotels located in Denison generated NGR as high as \$148,640 per EGM p.a. The average NGR per EGM in Glenorchy for Vantage Hotels was \$103,037.

Of Vantage Hotel’s 12 hotel venues, ten were identified in the data published by the ABC. These are: four venues located in Glenorchy, two venues in Launceston, and one each in Devonport, Central Coast, Waratah/Wynyard, and Latrobe.

Table 3a sets out the estimates of Vantage NGR using the data published by the ABC.

Table 3a: Estimates of Vantage Hotel NGR per LGA – using ABC data

LGA	Vantage EGMs	Vantage NGR/EGM	Vantage Total	LGA Total NGR	Vantage %
Glenorchy	120	\$103,037	\$12,364,420	\$20,139,049	61.4%
Devonport	30	\$86,403	\$2,592,118	\$10,614,734	24.4%
Central Coast	30	\$82,818	\$2,484,350	\$6,806,183	36.5%
Waratah-Wynyard	30	\$75,069	\$2,252,084	\$5,269,424	42.7%
Brighton	30	\$53,502	\$1,605,072	-	-
Latrobe*	30	\$66,896	\$2,006,876	-	-
Clarence*	30	\$62,423	\$1,872,690	\$9,762,612	19.2%
Launceston	60	\$66,258	\$3,975,448	\$16,889,342	23.5%
<i>Tasmania</i>	<i>360</i>	<i>\$80,981</i>	<i>\$29,287,244</i>	<i>\$109,940,256</i>	<i>24.8%</i>

Sources: [Tasmanian Liquor & Gaming Commission](#), ABC: Calculations by the author

*Estimates unmodified by release of ABC data

Using the data published by the ABC indicates that Vantage Hotels generated NGR in excess of \$29 million p.a. This is equivalent to about a quarter of total hotel and club NGR in the state. Vantage Hotels in Glenorchy generated a little less than two-thirds of revenue from the LGA.

REVENUE DERIVED FROM NETWORK GAMING OPERATIONS

In addition to the 12 EGM venues operated by Vantage Hotels, the Farrell Group derives revenue from providing EGMs to all hotels and clubs in Tasmania. Under a Deed appended to [the Gaming Control Act 1993](#), the Farrell Group companies enjoy the ‘exclusive right’, inter alia, to ‘operate gaming machines’ in Tasmania, and to provide these to ‘Licensed Premises Gaming Operators’.

The revenue from EGM operations in Tasmania’s clubs and hotels is divided three ways: to Government, via taxes, a levy, and fees; to individual venues; and to Federal Group via its subsidiary Network Gaming.

The [Fourth Social and Economic Impact study of Gambling in Tasmania](#) advises that hotels receive 30% of NGR, and clubs receive 32% of NGR.

The tax rates for EGMs are flat, at 25.88% of NGR, plus a 4% Community Support Levy. An annual licence fee equivalent to \$108.50 is applied to each EGM operated.

The balance of NGR accrues to Network Gaming, i.e., the Farrell Group.

Accordingly, NGR shares accruing to each of the three classes of actors are as shown in Table 4, based on the data displayed at Table 3a (that is, estimates based on the [data released by the ABC on 3rd February 2018](#)).

Table 4: Revenue shares from EGM NGR, Tasmania

Venue type	NGR	Tax	CSL	License fees	Venue retains	Network Gaming
Hotel	\$77,753,803	\$20,122,684	\$3,110,152	\$203,763	\$23,326,141	\$30,991,063
Club	\$3,033,395	\$785,043	\$121,336	\$13,780	\$970,686	\$1,142,551
Vantage hotels	\$29,153,058	\$7,544,811	\$1,166,122	\$39,060	\$8,745,917	\$11,657,147
<i>Total</i>	<i>\$109,940,256</i>	<i>\$28,452,538</i>	<i>\$4,397,610</i>	<i>\$256,603</i>	<i>\$33,042,745</i>	<i>\$43,790,760</i>

Source: [Tasmanian Liquor & Gaming Commission](#), ABC: calculations by the author

Thus, the Tasmanian government derives revenue (taxes, CSL and licence fees) totalling \$33,106,751, (30.1% of total NGR).

Tasmanian clubs operating EGMs derive revenue of \$970,686 (0.9% of total NGR). Tasmanian Hotels (other than Vantage Hotels) derive revenue of \$23,326,141 (21.2% of total NGR).

Farrell Group entities (Vantage Hotels and Network Gaming) derive revenue totalling \$52,536,677 (47.8% of total NGR). This is made up of retained revenue at the venue level (\$8,745,917) plus Network Gaming revenue of \$43,790,760, including \$11,657,147 notionally charged by Network Gaming to Vantage Hotels.

The Network Gaming charges applied to clubs is equivalent to a fee of \$8,996 per EGM. For non-Vantage Hotels, the fee is equivalent to \$16,502 per EGM, and to Vantage Hotels, the fee is equivalent to \$32,381 per EGM. Across Tasmania, the Network Gaming share is equivalent to \$18,516 per EGM p.a.

Conclusions, gambling harm and policy considerations

Estimates of revenue accruing to the Farrell Group from Tasmanian EGM and casino gambling activities are thus:

- Hotel and Club EGM operations - \$52.54 million
- Casino gambling operations - \$51.7 million
- Total revenue from EGM and casino gambling in Tasmania - \$104.24 million p.a.

This short paper primarily estimates the total revenue accruing to Farrell Group entities in relation to the operation of poker machines in Tasmanian Hotels and Clubs. The estimates are produced using a transparent logic based on publically available evidence and data, and are robust. This is demonstrated by the comparison of estimates shown in Table 3 with estimates derived using data published by the ABC on Saturday 3rd February 2018, shown in Table 3a. The original method estimated 81.4% of Vantage Hotel NGR (on the assumption that the ABC data are accurate).

There are some considerations for public policy arising from these estimates.

Firstly, Farrell Group entities operate a monopoly of poker machine gambling in Tasmania. This has been a long-standing arrangement. Whether this produces the maximum benefit for Tasmanians is an important question, and one clearly at the core of the 2018 Tasmanian state election. This paper seeks to provide information to assist in determining the benefits or costs for Tasmania associated with the current arrangements.

The monopoly undoubtedly produces significant benefits for Farrell Group entities, which derive the largest single portion of poker machine revenue to their own benefit. In fact, Farrell Group's share of revenue (47.8%) exceeds that of the Tasmanian government (30.1%) by \$19.4 million. It is more than double that received by hotels (21.2%), and fifty-three times that derived by clubs (0.9%).

Dismantling this monopoly would, in most jurisdictions, be viewed as an obvious public policy reform. In fact, both major political parties, and most minor parties, have adopted policies around poker machine gambling that seek to dismantle the Farrell Group monopolies. The Farrell Group, of course, also enjoys a monopoly on the operation of Tasmania's two casinos. The revenue derived from gambling in those

establishments (\$51.7 million) is less than that derived from hotel and club EGM operations (\$52.5 million) but represents a significant benefit to the Farrell Group.

This gives rise to the **second** policy issue for consideration – the type of reform most likely to benefit Tasmanians generally. The [Liberal Party proposes](#) an end to the arrangements whereby a single provider owns and agrees with individual licensed venues to operate poker machines. Under the policy, individual venues would own and operate their own poker machines. This is a model adopted by multiple Australian jurisdictions. In Victoria, this has given rise to a situation where a single operator (ALH Pty Ltd) owns a significant proportion of the state’s hotel poker machines, and clearly derives some oligopolistic benefits from that arrangement (as discussed above). ALH is already active in the Tasmanian market, and could be expected to identify opportunities and acquire expanded hotel holdings in the case that the individual venue model is adopted.

It is clearly also possible (and indeed likely) that Vantage Hotels, which has the significant advantage of current and continuing access to venue level data, will identify and acquire further profitable venues. At this stage, no policy announcement has been made by the Liberal Party around any limits to ownership of either venues or the poker machines, rather than a commitment to maintain state-wide and venue ceilings. Individual venue operators may well derive very significant capital gains from such sales, given that the Liberal Party policy endorses the continuation of a state-wide cap

Thus, there is the strong likelihood that large operators (whether ALH, Vantage or others) will acquire a significant proportion of the available hotel venues in Tasmania and develop an oligopolistic system, where two or more large operators are able to acquire significant shares of the business and exploit these assets forcefully.

This would also result in a licensing model that would put significant pressure on the regulator. Licensing and compliance of multiple venue-based EGM operators will increase the workload of the regulator significantly, an issue which caused significant disruption and regulatory difficulties for the Victorian regulator in the period after the adoption of the venue-licensee model in Victoria (as noted by the [Victorian Auditor-General](#) and as it [affected the regulator’s office](#)).

The Liberal Party policy provides no additional commitment to improved harm minimisation measures, beyond an education program for internet gamblers. Further, it does not provide a mechanism for expanding the very small share of the poker machine gambling business occupied by the club sector, given that existing licensees are anticipated to have access to their current entitlements.

The [ALP's policy](#), supported by other minor parties including the [Greens](#) and the [Jacqui Lambie Network](#), is to remove poker machines from clubs and hotels at the expiry of existing arrangements. This is certainly a clear solution to the harm associated with poker machines at local venues, and would end the poker machine monopoly as it relates to hotels and clubs.

The likely economic effects are to redistribute expenditure away from hotel and club poker machine gambling to other purposes, and this will cause some redistribution of labour activity, much of it likely to be within the hospitality and entertainment sectors. However, the lead time for these changes would be significant, and the reduction in harm across the community is likely to offset such effects. The ALP has also undertaken to provide a significant adjustment package for the hotels and clubs affected by such a policy change.

The **third** major public policy issue arising from this discussion relates to the existing levels of harm derived from gambling, particularly poker machine gambling, in Tasmania. Industry and others note that 'problem gambling' is an issue confined to a modest 0.6% of Tasmania's adult population, according to the [most recent prevalence study](#).

It is increasingly obvious that 'headline' data derived from prevalence studies is frequently unreliable, and subject to a range of influences. However, even in circumstances where the data derived from such studies is reliable, it is very important to note that those directly experiencing gambling related harm affect multiple others. As [recently noted by the present author](#), 0.6% of the Tasmanian adult population is about 2,430 people. Each of those, however, will affect six others – many very significantly. Those additional people amount to a total of 14,580 others (children, spouses, other family members, employers, etc.). Each 'moderate risk' gambler, who are, in Tasmania, estimated at 1.4% of the adult population, affects three others. That amounts to 5,670 moderate risk gamblers, plus 17,010 others. Even 'low risk' gamblers (4.8% of Tasmania's adults) affect one other person. All up, this amounts to over 78,000 Tasmanians affected by gambling harms at any one time.

A [recent study commissioned and published](#) by the Victorian Responsible Gambling Foundation (a Victorian Government instrumentality) estimated that the costs of gambling harm in Victoria amounted to \$6.73 billion p.a.

This study estimated the costs of harm at \$6,304 p.a. per 'low risk' gambler, \$15,507 per 'moderate risk' gambler, and \$66,560 per 'problem gambler. Applying these estimates to Tasmania produces a total cost to the Tasmanian economy (most of it borne by individuals and their families, friends, and employers) of \$341.58 million p.a.,

more than three times the total tax take derived from all gambling in Tasmania ([\\$79.46 million](#)).

Since EGMs are very strongly associated with gambling harm, a reduction in EGM access is very likely to lead to significant reductions in such harm.

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