



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party **Proposal No:** C1598
Date Referred: 16 March 2023 **Date Published:** 20/03/2023
Proposal Title: Plan for reform to gaming in NSW
Cluster: Enterprise, Investment and Trade

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Balance:	-	-	-	-	-

Capital Expenditure	-	-	-	-	-
Capital Offsets					
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	-	-	-	-
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Total State Sector Impacts

Net Lending/(Borrowing):	-	-	-	-	-
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Notes and costing assumptions:

Policy description

The proposed policy would:

- Introduce a mandatory 12 month cashless gaming trial in NSW, with at least 500 machines, to begin on 1 July 2023.
- Pass legislation to ban political parties from accepting financial donations from clubs that have gaming machines.
- Reduce cash feed-in limits to \$500 per machine for all new poker machines from 1 July 2023 (to be enforced for newer machines where the changes can be made rapidly, and feed-in limits to be reduced in existing older machines where possible)
- Ban all external signage (e.g. "VIP Lounge") promoting gaming machines around hotels and clubs
- Reduce the gaming machine entitlement cap immediately to be in line with the existing number of entitlements in the state right now
- Reduce the number of machines by moving to a simple 1 in 2 forfeitures for all future trades between clubs and hotels

Notes and costing assumptions continued:

- (g) Introduce a Responsible Gaming Officer for venues with more than 20 poker machines
- (h) Introduce third party exclusion and mandatory facial recognition to enhance self-exclusion and expand the register beyond the current limited self-exclusion program to include the whole of NSW
- (i) Establish a \$100m Fund that develops measures and programs that reduce harm caused by problem gambling. The Fund would be overseen by an independent panel. It would be used to: facilitate the mandatory trial; to reduce gaming machines; for harm minimisation programs including an additional \$10m a year into the Responsible Gambling Fund; and to implement recommendations from the independent panel and the mandatory trial.

Costing

The PBO considers the proposed policy has no Budget impact.

The costs of the proposed cashless gaming trial and enhanced self-exclusion are estimated to be \$9.8 million over the forward estimates. The purpose and profile of expenditures from the proposed \$100 million Fund have not been defined. The PBO has assumed the Fund would be fully spent during the forward estimates.

Expenses for gaming machine reform have been budgeted under existing Government policy, for a total of \$173 million over the forward estimates. The PBO has assumed these expenses would be reallocated in support of the proposed policy measures, with any remaining budgeted expenses retained to address program contingencies.

In effect, the PBO has assumed that the proposed policy would result in a range of measures that differ from those set out under existing Government policy, but which have the same cost profile over the forward estimates.

(a) Mandatory 12 month cashless gaming trial in NSW, with at least 500 machines, to begin on 1 July 2023 - \$3.4 million

The PBO assumes that Government will cover the costs of the trial, providing grants to the industry to install cashless readers on 500 machines, with an assumed cost of \$4,000 per reader. Additional operating costs of \$1.4 million are required for communications and staff and other inputs to conduct the trial and review the evidence.

There is no revenue cost associated with the trial. The PBO assumes that patrons who would be deterred from gaming as a result of cashless gaming would undertake their gaming activity at locations not included in the trial.

(b) Pass legislation to ban political parties from accepting financial donations from clubs with gaming machines - \$0

(c) Reduce cash feed-in limits to \$500 per machine for all new poker machines from 1 July 2023; roll-out feed in limits to older machines where possible - \$0

The PBO assumes that reducing the feed-limits for new machines will not have a material impact on aggregate gaming loss, over the forward estimates. Patrons who wish to feed in larger amounts would move to older machines with higher feed-in limits.

The PBO assumes that the roll-out to older machines would proceed sufficiently slowly that it would not have a material impact on revenue during the forward estimates. In addition, it would not prevent patrons from repeatedly feeding in \$500 into multiple machines.

(d) Ban external signage promoting gaming machines - \$0

The PBO assumes no compensation would be paid to venues for the costs of altering external signs. The PBO does not consider that altering the signs would materially change gaming machine revenue.

Notes and costing assumptions continued:

(e) Reduce the gaming machine entitlement cap immediately to be in line with the existing number of entitlements in the state right now - \$0

The number of machines in NSW is currently less than the State cap on gaming machines. Consequently, lowering the cap to equal the number of machines will not alter the number of machines in operation.

(f) Move to a system of 1 in 2 forfeitures for all future trades between clubs and hotels - \$0

Trades typically occur when moving machines from one venue to another results in higher revenue, taking account of required forfeiture of gaming machine entitlements (i.e. the PBO assumes that loss-making trades are generally unlikely to occur). Accordingly, an increased forfeiture rate is expected to reduce the number of profitable trades, but is not expected to materially change the revenue generated by gaming machines in NSW over the forward estimates.

(g) Introduce a Responsible Gaming Officer for venues with more than 20 machines - \$0

The PBO assumes the staff costs of Responsible Gaming Officers would be paid by venues. The PBO does not expect that the presence of these staff would lead to a material reduction in gaming machine revenue over the forward estimates.

(h) Enhanced self-exclusion policy - \$6.4 million

Facial recognition technology is estimated to cost \$10,000-\$30,000 per venue, depending on venue size. The PBO assumes the industry would pay for any technology in gaming machine venues needed to provide enhanced self-exclusion.

The Government would incur costs associated with establishing and maintaining a state-wide register. The PBO estimates these costs will total around \$6.4 million over the forward estimates.

The PBO has been unable to determine the effectiveness of a self-exclusion program. The PBO has assumed that this measure will not have a material effect on gaming machine revenue over the forward estimates.

(i) Establish a \$100m Fund that develops measures and programs to reduce harm caused by problem gambling

By itself, reservation of money to establish a Fund has no Budget impact. The Budget impact arises when expenses are incurred, drawing on the Fund. The nature of these expenses is unknown. The PBO has assumed that the expenses would fit within the profile of Budgeted expenses for gaming machine reform, noting that the total Budget allocation is \$173 million over the forward estimates (see below).

Relationship to current Government policy regarding cashless gaming

The Government has announced a policy of moving to mandatory cashless gaming machines for all machines by December 2028. The cost of measures to support this policy was included in the Pre-Election Budget Update (PEBU), as set out in the following table:

(\$m)	2023-24	2024-25	2025-26	Total
Revenue	3.7	10.8	17.4	31.9
Expense	36.1	73.9	94.8	204.8
Net operating result	-32.4	-63.1	-77.4	-173.0

The policy proposal examined in this costing envisages a trial of cashless gaming, prior to any commitment to mandatory cashless machines across all machines. The program of measures to be undertaken following the trial is unknown until the trial is completed.

Notes and costing assumptions continued:

The costing assumes that the costs of those post-trial measures would match the costs expected under the existing policy reflected in the PEBU, although the actual measures undertaken could vary significantly from those envisaged under the existing Government program.