

Fact sheet FS3137

Reforms to leasing scheme for Gaming Machine Entitlements for registered clubs and hotels

This fact sheet explains the Gaming Machine Entitlement leasing scheme reforms, passed by the NSW Parliament in March 2018.

The Gaming Machine Entitlement (GME) leasing scheme, under the *Gaming Machines Act 2001*, allows small hotels and clubs to improve their financial viability and continue to offer valuable services to the community, by allowing them to lease their GMEs as an alternative to selling them.

Overview

The scheme gives small venues an option to lease their GMEs to generate recurrent income, allowing them to continue contributing to their communities.

This is important for country hotels and clubs that host community events and activities and provide much-needed local jobs and recreation facilities.

Many small country venues are struggling financially due to factors such as declining populations. The leasing scheme will help these venues stay afloat.

It also allows small metropolitan venues to go 'pokie free' and instead focus on live entertainment and high quality food and beverage offerings.

How does this scheme work?

A small club can lease GMEs to another club, and a small hotel can lease to another hotel.

During the lease, GMEs remain the property of the lessor venue but the lessee venue gets all revenue from their use.

All leased GMEs will be subject to requirements under the Local Impact Assessment (LIA) scheme for the movement of GMEs.

Venues can enter into leases for a fixed term up to five years, with payments negotiated and agreed between the venues. The lessee remains responsible for paying all taxes and fees associated with operating the GME.

What gambling harm minimisation safeguards are in place?

A number of gambling harm minimisation safeguards support the operation of the scheme:

1. The scheme is limited to small clubs and hotels

Only small clubs with a Gaming Machine Threshold (GMT) of up to 30, and hotels with a GMT of up to 10 can lease their machines. Most venues eligible to lease out GMEs under the proposed scheme are in country areas.

2. No increase in the number of GMEs in NSW

Venues can only lease out GMEs they own. They continue to only be able to operate the number of gaming machines authorised by their GMT. The scheme does not increase the number of GMEs in NSW.

3. The scheme is subject to the LIA

An LIA is designed to assess the impact of additional gaming machines in the local community. The LIA scheme ensures local councils, gambling help providers and residents have a say about potential gaming machine increases in their area. Clubs and hotels are subject to the current requirements of the LIA process when they apply to lease their GMEs.

4. Venues in high risk areas can lease a GME from another venue in the same area but not from a lower risk area

The LIA scheme classifies local areas into bands based on the risk of gambling related harm. Venues in high risk areas cannot source a GME from a lower risk area, ensuring that no additional gaming machines are introduced into these areas.

The Government will review the scheme after three years. The review will include consideration of any impact on gambling harms in the community.

5. All lessee venues are required to contribute to the Responsible Gambling Fund (RGF)

The leasing scheme requires the lessee to pay the following levy (whichever is calculated as being higher):

- ▲ 5% of the lease price agreed between the parties, or
- ▲ \$1,000 for each year of the lease.

This is a one-off payment.

The levy payments are used by the RGF to help fund harm minimisation, economic and social services in local communities.

Why are there no forfeiture requirements in the scheme?

Forfeiture requirements significantly limit the circumstances where leasing provides benefits for both the lessor and lessee venue.

For example, a venue that leases out a block of three machines gives up the profits generated by all three GMEs, and would want any lease payments to at least offset this loss of revenue.

If forfeiture is in place, the lessee will gain an additional two GMEs but will have to compensate the lessor for the loss of income on three machines.

To ensure small venues are best placed to strengthen ongoing financial viability, forfeiture does not apply to leased GMEs. It continues to apply to GME trading.

Need more information?

To find out more about the proposed leasing scheme, contact Liquor & Gaming NSW:

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