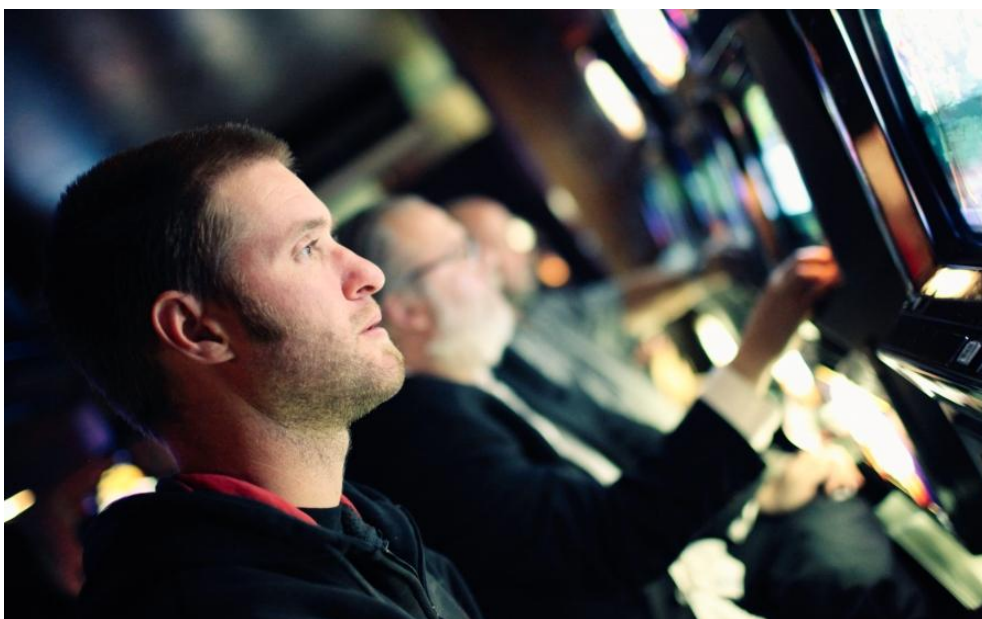


## Vic poker faced on federal pre-commitment trial

The federal government's mandatory pre-commitment rethink has brought a sigh of relief from pubs and clubs that rely heavily on revenues from gaming machines.



At this stage, the plan is for venues in the ACT to trial a mandatory pre-commitment scheme, which will be based around technology requiring users of poker machines to nominate how much money they're prepared to lose before starting to play.

The 12-month trial will begin in February 2013 with clubs and the ACT government receiving compensation for lost revenue and additional costs, so far proposed at more than \$37m.

Late last year pubs and clubs mounted a strong campaign against mandatory pre-commitment, arguing it will diminish their revenues from pokies and increase costs, with little beneficial impact on problem gambling. A number of clubs (particularly in NSW and Queensland) claim that the financial impact will hurt to the extent that they could be forced to close.

While there is uncertainty about the future of mandatory pre-commitment nationally, what is certain is that the Victorian State Government is dedicated to pressing ahead with a voluntary pre-commitment system that will allow players to opt out if they choose.

This voluntary system is to be introduced in Victoria by no later than 2015, only about 2 years after pubs and clubs will have converted to Victoria's new gaming regime, commencing August 2012.



pubs on tap

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Under the new Victorian regime, cash flows of many gaming pubs and clubs are anticipated to increase as they share in a greater portion of revenues from pokies after Tattersall's and Tabcorp's agreement with the State expires. Cash flows may increase for many pubs and clubs where they were able to pick up entitlements to operate pokies for much less than they expected to pay (refer *Pubs on Tap June 2011*).

If cash flows do increase as anticipated, this is likely to provide an important safety net to offset any negative impact that pre-commitment may have on revenues from gaming. An interesting question is, how much can revenues decrease before pubs and clubs are worse off on a net basis?

The answer to this question depends on the financial position of each pub or club, however, based on our analysis of a hypothetical club\* with 60 gaming machines, it seems that revenues from pokies could fall by around 30% before average net cash flows are less than under the current gaming regime. That is, revenues from pokies (say, due to pre-commitment) would need to fall by a sizeable amount at this hypothetical club before other forecast increases in cash flows are fully offset.

How each venue is impacted depends on several factors specific to the venue, including its gaming revenue, the price paid for entitlements and its level of debt.

We will be watching developments on pre-commitment and government regulation. At this stage it's uncertain which way the cards will fall. The one sure bet is that some change is inevitable.

Regards

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*\* This hypothetical club is assumed to have average gaming revenues, a replacement of its machines, and is assumed to have acquired 40 entitlements via the pre-auction club offer plus 20 entitlements acquired at auction for \$5,500 each.*