

Allocation principles scenarios

Where demand exceeds supply of available entitlements for top-ups and proposed venues, how will the Minister allocate?

The Allocation and Transfer Rules determined by the Minister on 20 December 2017 (Rules) describe the allocation principles to be applied by the Minister where the demand for new entitlements for proposed venues or existing venue top-ups exceeds the available entitlements.

The principles in Rule 9 state:

1) For **proposed venues**:

- (i) New gaming machine entitlements will be allocated to enable all eligible venue operators to be allocated their nominated number(s) (as specified in the Deed);
- (ii) Where rule (i) cannot be applied – new gaming machine entitlements will be allocated to enable all eligible venue operators to be allocated their Minimum Number(s) (lowest number in the range specified in the relevant Expression of Interest (EOI));
- (iii) Where rule (ii) has been applied, any remaining new gaming machine entitlements will be allocated equally amongst all eligible venue operators; and
- (iv) Where neither rules (i) and (ii) can be applied, or to the extent that rule (iii) cannot be applied – new gaming machine entitlements will be allocated in a way that maximises the monetary value to the State.

2) For existing venue **top-ups**:

- (i) New gaming machine entitlements will be allocated to enable all eligible venue operators to be allocated their nominated number(s) (as specified in the Deed);
- (ii) Where rule (i) cannot be applied – new gaming machine entitlements will be allocated to enable all eligible venue operators to be allocated their minimum additional number(s) (as specified in the Deed);
- (iii) Where rule (ii) has been applied, any remaining new gaming machine entitlements will be allocated equally amongst all eligible venue operators; and
- (iv) Where neither rules (i) and (ii) can be applied, or to the extent that rule (iii) cannot be applied – new gaming machine entitlements will be allocated in a way that maximises the monetary value to the State.

The following scenarios are intended to illustrate how the above principles may be applied by the Minister during the allocation process. In the context of the actual allocation and the matters the Minister may consider, a different allocation may result.

Proposed Venue Scenarios

Three club venue operators (VO) have applied for new gaming machine entitlements for proposed venues, as follows:

- VO1's EOI specified a range of between 40 and 60 gaming machine entitlements for its proposed venue. VO1's entitlements were priced at \$1,000 per entitlement. In its Deed, VO1 nominated 50 new entitlements for this venue.

- VO2's EOI specified a range of between 60 and 80 gaming machine entitlements, and the Deed specified a nominated number of 65 at the price of \$1,500 per entitlement.
- VO3's EOI specified a range of between 20 and 40 entitlements and the nominated number in the Deed was 30 at the price of \$2,000 entitlements.

Scenario 1

There are **120** new gaming machine entitlements available for allocation to clubs' proposed venues.

Allocation

In accordance with the rules, the Minister would allocate as follows:

- VO1 is allocated 40 entitlements
- VO2 is allocated 60 entitlements
- VO3 is allocated 20 entitlements.

Explanation

As there were not enough available entitlements to allocate all three VOs their nominated numbers (would require at least 145 available entitlements), principle 1(ii) was applied and each venue operator was allocated the minimum number in their respective EOI ranges.

Scenario 2

There are **137** new gaming machine entitlements available for allocation to clubs' proposed venues.

Allocation

In accordance with the rules, the Minister would allocate as follows:

- VO1 is allocated 46 entitlements
- VO2 is allocated 65 entitlements
- VO3 is allocated 26 entitlements.

Explanation

As there were not enough available entitlements to allocate all three VOs their nominated numbers (would require at least 145 available entitlements), principle 1(ii) was applied as per Scenario 1 and then principle 1(iii) (allocate equally) was applied to the remaining 17 entitlements.

As VO2's nominated number was 5 entitlements above the minimum number, all three VOs were first allocated 5 entitlements each, which fulfilled VO2's nominated number. 2 left-over entitlements were then equally allocated to VO1 and VO3 (1 entitlement each).

The allocation resulted in VO2 being allocated its nominated number and VOs 1 and 3 receiving 6 entitlements above their minimum numbers.

Scenario 3

There are **65** new gaming machine entitlements available for allocation to clubs' proposed venues.

Allocation

In accordance with the rules, the Minister would allocate as follows:

- VO1 is allocated 0 entitlements
- VO2 is allocated 65 entitlements
- VO3 is allocated 0 entitlements.

Explanation

As there were not enough available entitlements to allocate all three VOs their nominated numbers or minimum numbers, principle 1(iv) was applied resulting in allocation of 65 entitlements to VO2, based on the following calculations:

- Allocation of 65 entitlements to VO2 results in:
 - $65 * \$1,500 = \$97,500$
- Another possible combination would be an allocation of 25 entitlements to VO3 (as the Minister can allocate any number between the minimum number and the nominated number) and 40 entitlements to VO1, resulting in:
 - $(25 * \$2,000) + (40 * \$1,000) = \$90,000$

On that basis, allocation of 65 entitlements to VO2 maximises the monetary value to the State.

Top-up Scenarios

Four incumbent club VOs held 20 gaming machine entitlements as at 7 July 2017.

VO1's venue is located in a Regional Capped area with space for 4 more gaming machine entitlements.

The price per entitlement for the VOs are:

- VO1 - \$1,200
- VO2 - \$2,000
- VO3 - \$1,600
- VO4 - \$1,000

There are **10** entitlements available for allocation to club top-ups.

Scenario 1

The four club VOs have applied for new gaming machine entitlements for their approved venues, as follows:

- VO1 submitted a nominated number of 30 entitlements with a minimum additional number of 5 entitlements

- VO2 submitted a nominated number of 40 entitlements with a minimum additional number of 15 entitlements
- VO3 submitted a nominated number of 40 entitlements with a minimum additional number of 5 entitlements
- VO4 submitted a nominated number of 40 entitlements with a minimum additional number of 5 entitlements.

Allocation

In accordance with the rules, the Minister would allocate as follows:

- VO1 is allocated 20 entitlements (as allocation of its minimum additional number would have resulted in a breach of the Regional Cap)
- VO2 is allocated 20 entitlements (as it is not possible to allocate its minimum additional number from available entitlements)
- VO3 is allocated 25 entitlements
- VO4 is allocated 25 entitlements.

Explanation

In accordance with the rules, the Minister will not allocate additional entitlements unless minimum additional numbers can be met.

The minimum additional numbers for VO1 and VO2 cannot be met as the result of Regional Cap and availability of entitlements respectively. Therefore, VO1 and VO2 are not eligible to participate in the allocation for additional entitlements.

VO3 and VO4 are eligible to participate, and, as there were not enough available entitlements to allocate their nominated numbers, principle 2(ii) was applied and VO3 and VO4 were allocated their minimum additional numbers.

Scenario 2

The four club VOs have applied for new gaming machine entitlements for their approved venues, as follows:

- VO1 submitted a nominated number of 20 entitlements (equivalent to entitlements held on 7 July 2017)
- VO2 submitted a nominated number of 40 entitlements with a minimum additional number of 5 entitlements
- VO3 submitted a nominated number of 40 entitlements with a minimum additional number of 10 entitlements
- VO4 submitted a nominated number of 40 entitlements and minimum additional number of 5 entitlements.

Allocation

In accordance with the rules, the Minister would allocate as follows:

- VO1 is allocated 20 entitlements
- VO2 is allocated 20 entitlements
- VO3 is allocated 30 entitlements
- VO4 is allocated 20 entitlements.

Explanation

As VO1 only requested the number they held on 7 July 2017, only VOs 2, 3 and 4 are eligible to participate in the allocation of additional entitlements.

As there were not enough available entitlements to allocate all three VOs their nominated numbers or minimum additional numbers, principle 2(iv) was applied resulting in allocation of 10 additional entitlements to VO3. This allocation results in \$16,000 ($10 \times \$1,600 = \$16,000$) paid to the State.

An alternative allocation would be 5 to VO2 and 5 to VO4, resulting in \$15,000 ($(5 \times \$2,000) + (5 \times \$1,000) = \$15,000$).

On that basis, allocation of 10 entitlements to VO3 maximises the monetary value to the State.

Scenario 3

The four club VOs have applied for new gaming machine entitlements for their approved venues, as follows:

- VO1 submitted a nominated number of 40 with a minimum additional number of 2
- VO2 submitted a nominated number of 40 with a minimum additional number of 2
- VO3 submitted a nominated number of 40 with a minimum additional number of 2
- VO4 submitted a nominated number of 20.

Allocation

In accordance with the rules, the Minister would allocate as follows:

- VO1 is allocated 23 entitlements
- VO2 is allocated 24 entitlements
- VO3 is allocated 23 entitlements
- VO4 is allocated 20 entitlements.

Explanation

VO4 is not seeking any additional entitlements. For VOs 1,2 and 3, as there were not enough available entitlements to allocate all their nominated numbers, principle 2(ii) was applied to allocate their minimum additional numbers (2 entitlements each) and then principle 2(iii) (equal allocation) was applied to the remaining entitlements resulting in allocation of 1 further additional entitlements to all three VOs.

The remaining 1 entitlement was allocated on the basis of principle 2(iv) to VO2 that has the highest entitlement price.