

Regulation of gaming machines

About this report

This audit assessed the effectiveness of the regulation of gaming machines in clubs and hotels, with a focus on harm minimisation requirements.

In NSW, the Independent Liquor and Gaming Authority (ILGA) and the Department of Creative Industries, Tourism, Hospitality and Sport (the Department) share responsibility for regulating gaming machines in clubs and hotels.

Findings

More than half of all gaming machines in Australia are located in NSW.

The Department and ILGA regulate gaming machines in a structured and consistent manner but are not supporting harm minimisation outcomes effectively.

The Department has a regulatory strategy that sets out its priorities clearly. It has communicated this to stakeholders. However, the strategy does not have a sufficient focus on the areas that are considered high-risk for gambling harm and does not set targets for reducing harm associated with gaming machines. Gaming machine losses and the social costs of gambling harm continue to be disproportionately concentrated in socio-economically disadvantaged communities.

ILGA and the Department have clear processes for assessing applications to operate gaming machines. However, ILGA does not proactively review licence conditions after they are granted.

Most venues that have the largest number of gaming machines have not had their licence conditions reviewed in recent years and are operating gaming machines with licence conditions that may not be consistent with contemporary approaches to harm minimisation.

A legislated forfeiture scheme that aims to reduce the number of gaming machines in NSW has existed since 2001. The number of gaming machines operating in NSW has decreased gradually, noting there has been an increase in the number of gaming machines in NSW since 2021–22.

Recommendations

The report made recommendations including:

- the Department should increase the focus of its regulatory strategy on improving harm minimisation outcomes and ensure the gaming machine forfeiture scheme is achieving its legislative objectives
- ILGA should commence periodic reviews of licence conditions for venues operating gaming machines and increase clarity to industry and other stakeholders about the reasons for its decisions.

Fast facts

\$8.4b

net profits for clubs and hotels from gaming machines in 2023–24

\$2.3b

tax revenue from gaming machines in NSW in 2023–24

\$4.9m

ILGA's budget in 2023–24

87,749

gaming machines operating in clubs and hotels in NSW at June 2024

1 in 5

venues with an exemption that allows gaming machine operation from 4am to 10am

55 years

time for NSW to reach parity with the national per capita average for gaming machines at the current rate of reduction