

# Keno Discussion Paper

Keno Licensing Project

Office of Liquor, Gaming and Racing

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# 1 Introduction

## 1.1 Keno Licensing Project

The Department of Justice and Regulation established the Keno Licensing Project (KLP) to manage the process of developing and implementing future licensing arrangements for keno in Victoria.

The objective of the KLP is to maximise the net benefits to Victorians from the conduct of keno by recognising and providing for consumer enjoyment of keno while:

- ensuring an appropriate regulatory framework exists
- minimising gambling related harm
- maximising value to the State
- ensuring that integrity and fairness is maintained throughout the licensing process.

## 1.2 Document Purpose

The purpose of this discussion paper is to seek the community's views on current and future licensing arrangements for keno in Victoria. Information gathered through this process will inform the development of future regulatory arrangements.

This discussion paper raises issues and questions that are designed to assist you to make a submission. You can, however, raise other issues or provide additional information relevant to keno in Victoria.

## 1.3 Submissions

### 1.3.1 Responding to this discussion paper

Interested persons and organisations are encouraged to make a submission on any or all of the matters raised in this discussion paper. A submission can be as long or as short as you like. There is no prescribed format, however your submission should be limited to matters relevant to the KLP. Submissions on other matters will not be considered.

You can respond to the discussion paper by uploading a submission through the Victorian government's online platform, Engage Victoria, at [engage.vic.gov.au](http://engage.vic.gov.au).

The closing date for submissions is close of business on 11 December 2018.

All submissions will be published on the Engage Victoria website.

Please ensure your submission does not include confidential, commercial-in-confidence or personal information.

The department reserves the right not to publish any information that is defamatory, discriminatory or unrelated to the review project.

### 1.3.2 Queries

If you have a query about this paper or the submission process, you can contact the KLP by email at [olgr.klp@justice.vic.gov.au](mailto:olgr.klp@justice.vic.gov.au).

### 1.3.3 Further discussion

Following consideration of the submissions made in response to this paper, the KLP may invite a person or organisation who has made a submission to meet to discuss their submission with the project team.

## 2 Background

### 2.1 Keno

Keno is a gambling product available throughout Australia in which the player bets on the outcome of a draw of numbers selected by a random number generator. Prizes are awarded against the winning numbers drawn in each game.

### 2.2 History of keno in Victoria

Keno was introduced in Victoria in 1994 under the brand Club Keno.

Club Keno was conducted under an authorisation granted to the two gaming machine operators, Tatts Group Limited (Tatts) and Tabcorp Holdings Limited (Tabcorp), through a consortium under a joint venture.

Club Keno ceased on 14 April 2012 following a major restructure of the gambling industry in Victoria and was replaced with keno offered under a licence granted to Tabcorp.

The arrangements under the current keno licence are detailed in section 4 of this paper.

### 2.3 Keno participation

Findings from the most recent Victorian prevalence study in 2014 indicate that 3.74 per cent of Victorian adults reported playing keno, increasing from 2 per cent in 2008.<sup>1</sup>

This is a substantially lower participation rate than in other states and territories. The study also found that significantly fewer women play keno than men (2.66 per cent compared to 4.89 per cent) and a majority of keno gamblers (67.8%) play in hotels and clubs.<sup>2</sup>

### 2.4 Keno and gambling harm

Keno is generally not regarded as a significant cause of gambling harm. Only 14 per cent of people with gambling problems played keno in 2014.<sup>3</sup> However, people with gambling problems were significantly more likely to play keno than non-problem gamblers, suggesting there may be some harm associated with keno. This is consistent with the tendency for people with gambling problems to participate in multiple gambling products.<sup>4</sup>

While keno is not thought to be as high risk as gaming machines and wagering, there are features of keno that may contribute to harm. These features include the frequency with which the game is conducted (a draw takes place approximately every three minutes), its 24-hour availability (depending on the keno venue operating hours) and the offer of large payouts and jackpots.<sup>5</sup>

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<sup>1</sup> Hare, S (2015) *Study of Gambling and Health in Victoria: Australia*, Victorian Responsible Gambling Foundation and Victorian Department for Justice and Regulation.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Yeung, K and Wraith, D 2015 "Considering Gambling Involvement in the Understanding of Problem Gambling: A Large Cross-Sectional Study of an Australian Population" *International Mental Health and Addiction*, vol 15, no. 1, <https://link.springer.com/article/10.1007/s11469-015-9619-1>

<sup>5</sup> Griffiths, M 1999 "Gambling Technologies: Prospects for Problem Gambling" *Journal of Gambling Studies*, vol 15, no. 3, <https://link.springer.com/content/pdf/10.1023/A:1023053630588.pdf>

### 3 Regulatory arrangements

#### 3.1 Legal requirements

The conduct of gambling is prohibited in Victoria unless authorised. *The Gambling Regulation Act 2003* (GRA) authorises the conduct and promotion of keno provided it is conducted under a licence granted under Chapter 6A of the GRA.

The GRA:

- provides for a single keno licence and sets out the process for the granting of that licence
- regulates the operation of a keno system
- requires the Minister to approve keno games
- prescribes a minimum return to player
- specifies the tax that must be paid by the keno licensee.

The GRA also sets out a range of requirements that apply to the keno licensee, including those relating to:

- making keno rules
- accrediting agents who sell tickets
- establishing and maintaining a prizes fund
- providing information and entering into agreements at the direction of the Minister
- record keeping.

Discussion Question
What changes, if any, could be made to the legal requirements for the keno licensee and why?

#### 3.2 Harm minimisation requirements

While keno is generally not regarded as a significant cause of gambling harm, research has found that many gamblers who experience harm from gambling use multiple gambling products, including keno.

The GRA requires the keno licensee to implement a Responsible Gambling Code of Conduct (Code of Conduct) that complies with a direction issued by the Minister. The Code of Conduct must include provisions relating to the display of game rules, pre-commitment, interaction with customers who may be having a problem with gambling, staff gambling policy, interaction with gambling support services and a process for handling complaints. The current keno licensee's Code of Conduct is available at [http://kenochampionsleague.com.au/Content/Toolkit/VIC/VIC%20Keno%20Code\\_Tabcorp%20Investments%20No.5.pdf](http://kenochampionsleague.com.au/Content/Toolkit/VIC/VIC%20Keno%20Code_Tabcorp%20Investments%20No.5.pdf).

Discussion Question
What changes, if any, could be made to harm minimisation requirements for the conduct of keno in Victoria and why?

## 4 Victorian Keno Licence

### 4.1 Current Victorian keno licence

The GRA provides for a single keno licence with a term of ten years.

In March 2011, Tabcorp was awarded the keno licence for ten years commencing on 15 April 2012 and expiring on 14 April 2022. Tabcorp paid an up-front premium of \$60 million.

### 4.2 Products

The keno licence provides that the keno licensee must conduct and promote authorised keno games. Under the GRA, the Minister may approve a game as a keno game if:

- the game is a rapid draw lottery
- the outcome is determined by a random number generator that draws a set of numbers from a larger set of numbers
- the game is not conducted on a totalisator
- the results are not based on the outcome of a live event
- the Minister considers that the game is not offensive or contrary to the public interest.

There are currently six approved keno games:

- Keno Classic
- Keno Mega Millions
- Keno Bonus
- Heads or Tails
- Margin Bet
- Keno Racing.

The GRA requires the licensee to make rules for the conduct of keno games and must not conduct a keno game unless rules are in force and the keno game is conducted in accordance with those rules.

The rules for each of the six approved keno games can be found at: [https://keno.com.au/keno-pdfs/vic\\_rule.pdf](https://keno.com.au/keno-pdfs/vic_rule.pdf)

### 4.3 Distribution

The places at which keno can be played are set out in the keno licence. These include hotels, clubs and wagering outlets throughout Victoria.

As at 9 October 2017, there were more than 620 Keno outlets in Victoria.<sup>6</sup>

The distribution of keno over the internet is not authorised under the Victorian keno licence.

### 4.4 Jackpots

The Keno Classic and Keno Mega Millions games have a jackpot that can be won if all winning numbers are selected in certain types of entries.

The jackpot amount increases incrementally as tickets for each game are purchased, with a portion of the cost of each entry allocated to the jackpot pool. The licensee sets the minimum

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<sup>6</sup> VCGLR, 2017-18 Annual Report

jackpot prize and the percentage of the amount from each entry that will be directed to the jackpot pool.

Keno jackpots are pooled with New South Wales (NSW), Victoria, Queensland (QLD) and the Australian Capital Territory (ACT), with keno entries from each state contributing to a common jackpot pool. A player in any of those states can win the jackpot.

The pooling arrangements result in faster growing and larger jackpots because of entries from players in all pooling states contribute to the jackpot pool.

Discussion Question
What changes, if any, could be made to the licensing arrangements for keno and why?

## 5 Revenue distribution

### 5.1 Return to player

The GRA requires that the return to player by way of prizes must be no less than 75 per cent of the total amount received by the keno licensee for any keno game. For this purpose, a prizes fund is established and maintained by the keno licensee. All prizes (winnings and jackpots) are paid out of this fund.

### 5.2 Taxation

The keno licensee must pay to the state a keno tax of 24.24 per cent of player loss (that is, sales minus prizes).

The keno licensee must also pay an annual supervision charge, determined by the Treasurer after consultation with the Minister, to cover the reasonable costs of the Victorian Commission for Gambling and Liquor regulation (VCGLR) overseeing the operation of keno in Victoria.

Keno tax revenue in 2017-18 was \$5.6 million.

### 5.3 Sales commission

The keno licensee pays a commission to its sales agents; that is, the venue operators and wagering outlets that sell keno tickets on its behalf.

The amount of the sales commission is a commercial matter between the licensee and its agents, and is not prescribe by the GRA or the keno licence.

### 5.4 Return to licensee

The keno licensee retains from player loss the amount remaining after payment of tax to the state and commissions to sales agents.

The VCGLR reports on player loss and state tax paid for keno each year in its annual reports (see Table 1 below).<sup>7</sup>

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<sup>7</sup> <https://www.vcglr.vic.gov.au/about-us/about-vcglr/annual-reports>

Table 1: An estimate of Keno Revenue and Deductions in Victoria - player loss, state tax and estimated GST for Keno between 2012-13 and 2017-18

Financial year	Player loss	State tax	GST*
2012-13	\$13.9m	\$3.4m	\$1.26m
2013-14	\$15m	\$3.6m	\$1.36m
2014-15	\$16.7m	\$4.1m	\$1.51m
2015-16	\$19.7m	\$4.8m	\$1.79m
2016-17	\$23.4m	\$5.7m	\$2.12m
2017-18	\$23.1m	\$5.6m	\$2.1m

\* The GST estimate assumes that the keno licensee paid GST on the total amount of player loss each year

#### Discussion Question

What changes, if any, could be made to the revenue distribution arrangements under the keno licence and why?

## 5.5 Turnover and expenditure

Expenditure on keno doubled during the first year of the licence that commenced in 2012, and has continued to grow every year since (see Table 2 below).

Table 2: Real Keno Turnover, Victoria and national, 2010-11 to 2016-17

Year	Real turnover		Expenditure per capita	
	(Vic)	(national)	(Vic)	(national)
2010-11	\$26.74m	\$1.209b	\$1.52	\$18.80
2011-12	\$31.53m	\$1.264b	\$1.78	\$19.44
<i>*New Keno licence commenced 15 April 2012</i>				
2012-13	\$62.79m	\$1.297b	\$3.36	\$19.51
2013-14	\$65.39m	\$1.263b	\$3.45	\$19.02
2014-15	\$71.56m	\$1.275b	\$3.71	\$18.38
2015-16	\$83.288m	\$1.288b	\$4.20	\$18.89
2016-17	\$97.52m	\$1.318b	\$4.78	\$18.84

Source: Australian Gambling Statistics, 1991-92 to 2016-17, 34<sup>th</sup> edition

## 6 Inter-jurisdictional comparison

Keno is available in all Australian states and territories, although its distribution arrangements, minimum return to player, tax rates and licensing arrangements vary.

Table 3 below provides a summary of the key licence terms in each jurisdiction.

Table 3: Comparison of key licence terms

State	Licence type	Licence term	Product	Distribution	Minimum return to player (RTP)	State tax
VIC	Single licence	10 years	<ul style="list-style-type: none"> <li>• Keno Classic</li> <li>• Keno Mega Millions</li> <li>• Keno Bonus</li> <li>• Keno Heads or Tails</li> <li>• Margin Bet</li> <li>• Keno Racing</li> </ul>	<ul style="list-style-type: none"> <li>• Clubs</li> <li>• Pubs</li> <li>• Wagering outlets</li> </ul>	75%	24.24% of player loss
NSW	Joint licence with Clubs NSW	Up to 40 years (current licence expires in 2050)	<ul style="list-style-type: none"> <li>• Keno Classic</li> <li>• Keno Heads or Tails</li> <li>• Keno Roulette</li> <li>• Keno Mega Millions</li> </ul>	<ul style="list-style-type: none"> <li>• Clubs</li> <li>• Hotels</li> <li>• Casino</li> <li>• Digital play in-venue on app only</li> </ul>	75 – 80% depending on product. Licensee may amend RTP by 5% without regulatory approval.	8.91% of player loss (for player loss up to \$37.7 million in hotels and \$86.5 million in clubs and casino) and 14.91% of player loss thereafter.
QLD	Single licence	As per keno agreement (current licence expires in 2047)	<ul style="list-style-type: none"> <li>• Keno</li> <li>• Keno Heads or Tails</li> <li>• Keno Advanced</li> <li>• Keno Kwikipik</li> <li>• Keno Racing</li> </ul>	<ul style="list-style-type: none"> <li>• Casinos</li> <li>• Clubs</li> <li>• Hotels</li> <li>• TABs</li> </ul>	75%	26.25% of gross revenue for first 10 years of licence term and 29.40% of gross revenue thereafter
SA	Management rights	40 year exclusive management rights that expire in 2052	<ul style="list-style-type: none"> <li>• Keno Single (similar to Keno Classic)</li> <li>• Keno Coin Toss (similar to Keno Heads or Tails).</li> <li>• Keno Combo (similar to Bonus)</li> </ul>	<ul style="list-style-type: none"> <li>• Pubs</li> <li>• Clubs</li> <li>• Casino</li> <li>• News agencies</li> <li>• Selected TAB outlets</li> </ul>	60%	41% of net gambling revenue
ACT	Single approval to conduct keno	Ongoing	<ul style="list-style-type: none"> <li>• Keno Classic</li> <li>• Keno Heads or Tails</li> <li>• Keno Mega Millions</li> <li>• On-line</li> </ul>	<ul style="list-style-type: none"> <li>• Clubs</li> <li>• Hotels</li> <li>• TABs</li> <li>• Casino</li> <li>• Online</li> </ul>	75%	2.53% of turnover
TAS	Gaming operator licence	Exclusive licence until 30 June 2023.	<ul style="list-style-type: none"> <li>• Keno Classic</li> <li>• Keno Heads or Tails</li> <li>• Keno Xtra</li> <li>• Lucky Last &amp; Keno Racing<sup>8</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Casinos</li> <li>• Clubs</li> <li>• Hotels</li> </ul>	75%	5.88% of gross profit

## 6.1 Interjurisdictional comparison of keno performance

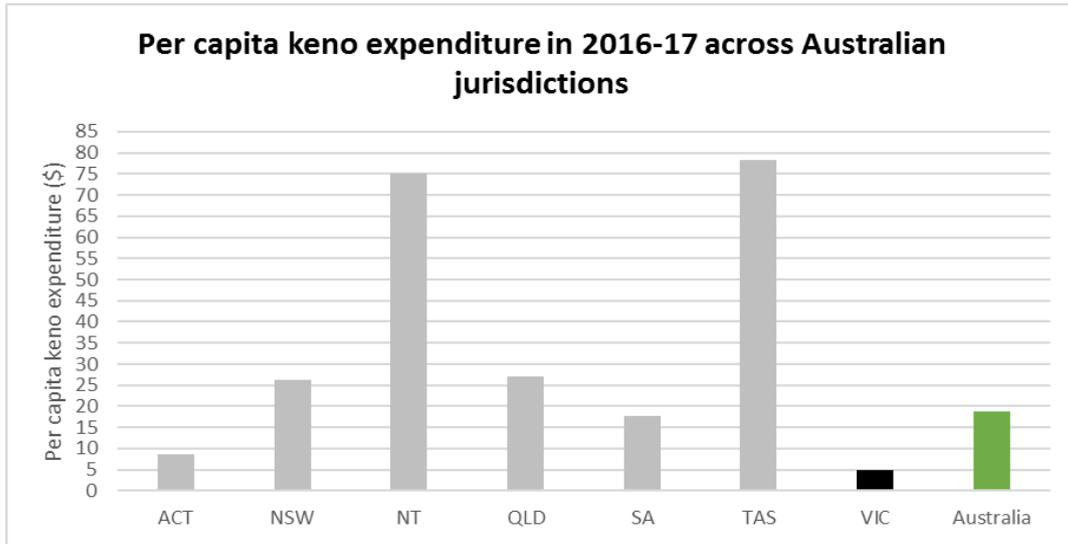
In 2016-17, per capita keno revenue in Victoria was \$4.78.<sup>9</sup> This is lower than the per capita expenditure in the ACT (\$8.55), NSW (\$26.38), QLD (\$27.02) and SA (\$17.76).<sup>10</sup>

<sup>8</sup> While the games have been approved they are not currently operating on the Tasmanian keno system.

<sup>9</sup> *Australian Gambling Statistics, 1991–92 to 2016–17, 34<sup>th</sup> edition*

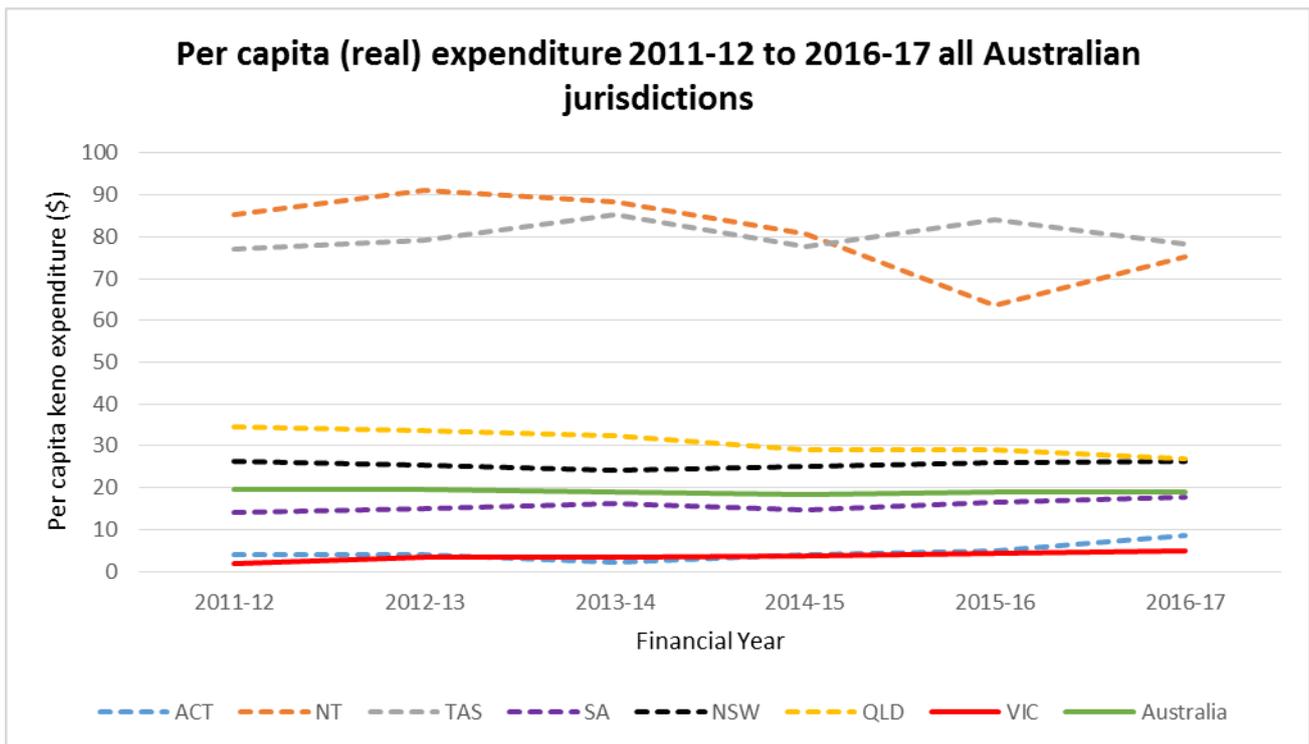
<sup>10</sup> Ibid

Figure 1: Per capita keno expenditure in 2016-17 across Australian Jurisdictions



Source: Australian Gambling Statistics, 1991-92 to 2016-17, 34<sup>th</sup> edition

Figure 2: Per capita (real) expenditure 2011-12 to 2016-17 all Australian jurisdictions



Source: Australian Gambling Statistics, 1991-92 to 2016-17, 34<sup>th</sup> edition

Discussion Question

What factors could be influencing the difference in the performance of the keno market between Victoria and other jurisdictions?

## 7 Summary of discussion questions

1. What changes, if any, could be made to the legal requirements for the keno licensee and why?
2. What changes, if any, could be made to harm minimisation requirements for the conduct of keno in Victoria and why?
3. What changes, if any, could be made to the licensing arrangements for keno and why?
4. What changes, if any, could be made to the revenue distribution arrangements under the keno licence and why?
5. What factors could be influencing the difference in the performance of the keno market between Victoria and other jurisdictions?