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## **Parliament of Tasmania**

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### **JOINT SELECT COMMITTEE ON FUTURE GAMING MARKETS**

# **FINAL REPORT**

#### **Members of the Committee**

##### **Legislative Council**

Hon Robert Armstrong MLC

Hon Michael Gaffney MLC (Chair)

Hon Tania Rattray MLC (Deputy Chair)

##### **House of Assembly**

Mr Scott Bacon MP

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# **ABBREVIATIONS**

ACH – Australian Leisure and Hospitality Group

AASW - Australian Association of Social Workers Tasmania

CPGI - Canadian Problem Gambling Index

CSL – Community Support Levy

DHHS – Department of Health and Human Services

EGM – Electronic Gaming Machine

LMO – Licences Monitoring Operator

NCWT –National Council of Women of Tasmania

PGSI - Problem Gambling Severity Index

SEIS – Social and Economic Impact Study

TLGC – Tasmanian Liquor and Gaming Commission

THA – Tasmanian Hospitality Association

YFCC - Youth, Family and Community Connections Inc

# CHAIRMAN'S FOREWORD

On behalf of the Joint Select Committee, I am pleased to present the Future Gaming Market Report. The Inquiry captured the attention of many individuals, organisations, businesses and community groups, and I would like to thank those who assisted the Committee by sharing their opinions, expertise and creditable evidence.

The introduction of casinos to Tasmania in the 70s and 80s and Electronic Gaming Machines (EGMs) into hotels and clubs in the 90s was promoted as potentially making a positive financial contribution to a somewhat stagnant Tasmanian Economy. However, evidence suggests that in today's economy, the contribution of the "Gaming Sector" makes far less impact overall to the State revenue, especially in comparison with other jurisdictions.

Gambling is acknowledged by some as a recreational pastime, even part of 'the Australian way of life'. It is appreciated that many forms of gambling stimulate economic, employment and business activity in our communities

However, after considering testimony from social organisations, community groups and those affected by problem gambling, it must also be recognised that the impacts of gambling, especially EGMs, for some individuals, family members and the wider community can be exceptionally damaging. Considerable evidence presented to the Committee reinforced the notion that because of the harm created by EGMs, the machines should be confined to the Casinos and TT Line. However, a recommendation supporting a ban on EGMs from Hotels and Clubs failed to gain support from the majority of the Committee.

The 2017 Inquiry was primarily focused on EGMs and the future of gaming markets in Tasmania, post 2023. Approximately 150 submissions were received by the Committee and in excess of 50 groups presented during twelve days of public hearings, over a seven month period.

The Committee found that there was substantial 'cross-over' of information between the terms of reference and this did present a challenge to the Committee when preparing the report. The Terms of Reference presented by the Government included a requirement by the Committee to consider other jurisdictions. The Committee appreciated the assistance and valuable support

from community, social service and advocacy groups, organisations, industry, Casinos and Government staff in mainland cities.

I acknowledge the Treasurer's offer for staff from the Department of Treasury and Finance to assist, and note that the modelling advice received from the Department cannot in any way be attributed to a policy position of the Government.

In closing, I extend my sincere gratitude to the Mr Stuart Wright (Committee Secretary), Mr Euan Morton (Synergies Economic Consultant) and other Legislative Council and Parliamentary Staff for their excellent support.

A handwritten signature in black ink that reads "Michael Gaffney". The signature is written in a cursive, flowing style with a large, stylized initial 'M' and a long, sweeping underline.

Hon. Mike Gaffney, MLC  
Chair

# EXECUTIVE SUMMARY

1. The Joint Select Committee on Future Gaming Markets was established by joint resolution of the House of Assembly on 24 August 2016 and the Legislative Council (with amendment) on 25 August 2016.
2. The inquiry was proposed by the Tasmanian Government. The original terms of reference, were primarily proposed to consider a series of economic issues relating to the framework for gaming arrangements post 2023.
3. The motion to establish the Joint Committee was amended by the Legislative Council to include consideration of a number of social issues through the addition of further terms of reference. An extension to the reporting date was also moved. The amendments were agreed to by the House of Assembly.
4. The terms of reference for the inquiry were resolved as follows –
  - (1) A Joint Select Committee be appointed with power to send for persons and papers, with leave to sit during any adjournment of either House exceeding 14 days, with leave to adjourn from place to place and with leave to report from time to time, to inquire into and report upon community attitudes to gambling and potential structural features of the Tasmanian Casino, Keno and Electronic Gaming markets from 2023 onwards, with the following Terms of Reference —
    - (a) consideration of community attitudes and aspirations relating to the gambling industry in Tasmania with particular focus on the location, number and type of poker machines in the State;
    - (b) review of the findings of the Social and Economic Impact Studies conducted for Tasmania;
    - (c) consideration of the document entitled “Hodgman Liberal Government post-2023 Gaming Structural Framework”;

- (d) an assessment of options on how market-based mechanisms, such as a tender, to operate EGMs in hotels and clubs could be framed;
  - (e) consideration of future taxation and licensing arrangements, informed by those in other jurisdictions;
  - (f) a review of harm minimisation measures and their effectiveness, including the Community Support Levy;
  - (g) consideration of the duration and term of licences for the various gaming activities post 2023; and
  - (h) any other matters incidental thereto.
- (2) The number of Members to serve on the Committee on the part of the House be three: one nominated by the Leader of Government Business; one nominated by the Leader of Opposition Business; and one nominated by the Leader of Tasmanian Greens Business.
- (3) The Committee report by 30 September 2017.

And that Wednesday, 31 August 2016 at 9.15 o'clock am be the time and Committee Room 3 be the place for holding the first meeting of the Committee.

5. Three Independent Members of the Legislative Council were initially approached by the Government and asked if they would be interested to be on the Committee. However, the Member for Mersey requested that all Members of the Legislative Council who wished to be considered for the inquiry should have the opportunity to do so. Six Members nominated and a ballot process was undertaken by the President and Clerk of the Legislative Council. The Members selected by the Legislative Council were Hon Tania Rattray MLC, Hon Robert Armstrong MLC and Hon Mike Gaffney MLC.
6. At the first meeting of the Committee on 31 August 2016, Hon Mike Gaffney MLC was elected Chair and Hon Tania Rattray MLC elected Deputy Chair.

7. Whilst the terms of reference have required the Committee to consider a number of separate issues, they are limited in scope to 'Tasmanian Casino, Keno and Electronic Gaming markets'. The inquiry has therefore excluded consideration of other forms of gambling such as racing. The issue of online gaming markets was raised on various occasions during the inquiry, however has been considered in a limited context.
8. The Inquiry is somewhat unusual for a Parliamentary Inquiry. Firstly, it is uncommon for the Government to propose a parliamentary inquiry of its own initiative and secondly, the terms of reference have required the Committee to consider a number of technical policy issues relating to taxation, licensing and regulation that would traditionally have been considered by Government.
9. As a consequence, specific purpose funding was requested by the Committee at the commencement of the inquiry through the Government to enable the appointment of an economic consultant to advise the Committee as required for the duration of the inquiry. The request was agreed to by the Government.
10. A number of consultants were identified and three shortlisted for interview. Synergies Economic Consulting was appointed as the successful Consultant. The work was led by Principal Mr Euan Morton with key support from Director Dr Martin Van Bueren and Assistant Director Ms Trish Worland. The Committee wishes to recognise, acknowledge and thank the professional and considered contribution made by the Synergies' team to the work of the Committee.
11. At the commencement of the inquiry, the Committee resolved to call for public submissions. A total of 148 submissions were received. The Committee was pleased with the response rate and the community interest in the inquiry. The Committee also received a number of reports and additional documents throughout the inquiry.
12. All submissions were accepted into evidence. A number of submissions were limited to providing generalised comments about the issue of poker machines (Electronic Gaming Machines - EGMs) and advocating the banning of poker machines either partially or totally. The general submissions in this category were assessed as responding to term of



reference (a), which primarily considered the question of community attitudes to EGMs.

13. Apart from these submissions, there were a number of submissions that addressed some or all of the terms of reference. The majority of these submissions focused on the terms of reference associated with the social impacts of gambling. A smaller number of submissions addressed and focused on the economic terms of reference.
14. The Tasmanian Government did not provide a written submission. The reason for not making a submission was later explained by the Premier and Treasurer at a public hearing as being due to the Government not having a fixed starting position on the majority of issues covered by the terms of reference other than the information contained in the 'Hodgman Liberal Government Post-2023 Gaming Structural Framework'.
15. The Committee conducted a series of initial public hearings in Hobart on 7, 8, 14, 15 and 22 February, 22 March and a second series on 11 and 18 August 2017.
16. Interstate hearings were also conducted in Brisbane on 26 June, Melbourne on 27 June, Perth on 25 July and Adelaide on 26 July 2017 in order to obtain further information on those jurisdictions.
17. The Committee would like to express its gratitude to all of the witnesses who presented information as part of these interstate hearings. Many individuals and representatives of organisations contributed their time, knowledge and experiences to this important process.
18. A Committee delegation completed site visits in Townsville and Cairns in Northern Queensland during early July. The Committee requested these visits following consideration of information contained in the Federal Group's submission. The Committee resolved that it inspect the jurisdictions for completeness and wishes to thank the Ville Resort and the Pullman Reef Hotel Casino, as well as social advocacy groups in both Townsville and Cairns.
19. The Committee accepted an offer from the Premier and Treasurer to make available resources from the Department of Treasury and Finance to undertake a series of modelling exercises to assist with the Committee's

consideration of the economic terms of reference. The Committee wishes to thank the Department for its assistance in completing these tasks.

20. Gambling is an issue in Tasmania, which has a number of different elements and hence elicits many wide ranging viewpoints and opinions. The industry employs a number of people across the State; directly and indirectly, and makes a positive contribution economically through taxation and other fees. It is also a sector of the economy, which complements other sectors, such as tourism and hospitality.
21. Many people in the Tasmanian community enjoy gaming activities on a regular basis as a social activity and are able to gamble responsibly.
22. There are people in the Tasmanian community who have been negatively impacted by gambling through addiction and economic hardship. Other people have also been affected indirectly as a consequence of gambling machines and associated hardships being experienced by family or friends.
23. The percentage of gamblers that experience problems in Tasmania is below nationally reported figures, however, the proportion of revenue that problem gamblers contribute in Tasmania is disproportionately high and growing.
24. Evidence has found the impact of gambling is significant and certain communities in Tasmania appear to have been disproportionately affected by gambling addiction and access to numerous EGM's within local venues.
25. In addition, as the Government has noted, there are many people in Tasmania that question the way the current and previous arrangements for gaming operations in the State were negotiated. In particular, the perception the negotiations were not transparent nor open to competition has been raised within the inquiry.
26. The issues of addiction and harm minimisation have been prominent in the evidence the Committee has received and have been carefully considered with respect and dignity to those affected by gambling.
27. Most notable amongst the issues associated with problem gambling has been the future of EGM's in the community. The density of EGM's in certain communities and their impact has been notable in the evidence.
28. Comparatively the Committee received limited evidence through the submissions and hearings process regarding the economic terms of

reference. However, the Committee has taken into account information obtained from other jurisdictions in conjunction with the modelling tasks completed by the Department of Treasury and Finance and the work of the Economic Consultant appointed by the Committee.

29. The report commences after the Chairman's Foreword with the Executive Summary. It includes chapters covering the findings and recommendations and a chronology of the major gaming events in Tasmania, and a consideration of each of the terms of reference. As there is a commonality between certain terms of reference, they have been grouped together under the broad themes - 'social issues' and 'economic and licensing issues'. A series of appendices is then attached to the report.
30. *It is important to note when reading this report that key issues considered are referred to in more than one term of reference. It is recommended that each term of reference is not considered in isolation, but rather, is read jointly with all other chapters in order to avoid the misrepresentation of information.*

# FINDINGS

The following findings are based upon the evidence received during the inquiry and from information sourced from the Committee's Consultant, Synergies Economic Consulting.

The findings are grouped in a similar way as they appear in the body of the report.

## **Terms of Reference**

### **(c) Consideration of the document entitled "Hodgman Liberal Government post-2023 Gaming Structural Framework"**

1. The Framework is a starting point for a discussion with the Tasmanian community about future gaming arrangements in the State.
2. The Premier and Treasurer have confirmed that they are open to consider recommendations made by the Committee that are based upon evidence.
3. A number of witnesses criticised the Framework because they believe it does not prioritise harm minimisation strategies for the future.
4. The Framework recognises a sustainable gaming industry into the future is desirable and a number of witnesses acknowledged gambling as a legitimate recreational pastime.
5. There was support for a MONA high roller casino as suggested by the Government's Framework.
6. It is unclear what analysis was completed by the Government in order to confirm its decrease of 150 EGMs.

## **Terms of Reference**

### **(a) Consideration of community attitudes and aspirations relating to the gambling industry in Tasmania with particular focus on the location, number and type of poker machines in the State.**

**(b) Review of the findings of the Social and Economic Impact Studies conducted in Tasmania**

**(e) A review of harm minimisation measures and their effectiveness, including the Community Support Levy**

7. Many submissions called for the removal of EGMs from hotels and clubs in Tasmania.
8. A number of submissions called for the total removal of EGMs.
9. There is a higher density of EGMs in certain municipalities across Tasmania. The municipalities with higher densities tend to be in lower social-economic areas of the State.
10. There are currently no restrictions on EGM numbers in municipalities.
11. Previously, communities have not had a role in decisions regarding EGM densities or locations.
12. The recent introduction of a community interest test is only applicable in limited circumstances; that is where a new licence application is made.
13. The opportunity to apply the 'community interest test' retrospectively was suggested by the social services sector but was not supported by the industry.
14. EGMs provide hotels and clubs with a revenue stream that assists funding other services within the venue. This is notable specifically in smaller regional localities across Tasmania.
15. EGM revenue supports the provision of tourism based services in smaller regional localities.
16. Gaming revenue contributes approximately 1 per cent to State revenues in Tasmania. The Tasmanian Government is less reliant on revenue from gaming activities than some other States.
17. The experience in other States has shown that effective regulatory controls on harm minimisation, accountability and machine quality can be achieved through a venue operator model.

18. Evidence supports the continuation of Social and Economic Impact Studies (SEIS) to consider the following:
  - retain flexibility in the areas to be investigated;
  - retain a standard method for measuring prevalence to allow comparability of survey results over time;
  - explicitly recognise any limitations of the methods and how the results should be interpreted for policy decision-making;
  - possibly undertake the SEIS study less frequently, with timing driven in part, by the need to inform policy making; and
  - The next review should be conducted in a timely fashion to inform policy making in 2023.
19. The SEIS studies have concluded that the suite of harm minimisation measures for gambling activities were generally effective in reducing expenditure of 'at-risk' gamblers while not compromising the enjoyment of a large numbers of non-problem gamblers.
20. The Community Support Levy is currently derived from 4 per cent of gross profit from gaming machines in hotels and clubs.
21. The distribution of funds from the levy is allocated to the following
  - a. 25 percent for sport and recreational clubs.
  - b. 25 percent for charitable organisations.
  - c. 50 percent for the provision of
    - i. Research into gambling;
    - ii. Services for the prevention of compulsive gamblers;
    - iii. Treatment for the rehabilitation of compulsive gamblers
    - iv. Community education concerning gambling; and
    - v. Other health services.

22. It was questioned whether the percentage of distribution outlined in finding 21 is both efficient and effective and should be reviewed.
23. The Tasmanian Liquor and Gaming Commission (TLGC), Department of Health and Human Services (DHHS) and Office of Sport and Recreation participate in the administration of the Community Support Levy.
24. CSL funds provide for broad community benefits. However, some witnesses questioned whether sufficient prioritisation has been made to funding programs with a direct benefit to individuals adversely impacted by gambling.
25. Concerns were raised questioning whether sufficient resources had been allocated to harm minimisation strategies.
26. Some witnesses suggested that greater CSL funding could be allocated to sporting clubs and community organisations.
27. Many individuals who have gambling addictions may also suffer from health and/or other related issues.
28. Across Australia, gamblers with problems are reluctant to seek support and assistance and for this and other reasons, there is general acceptance by advocacy groups of underreporting.
29. Some stakeholders involved in assisting gamblers with problems argue that gambling should be treated as a public health issue.
30. The TLGC has commissioned a review to identify additional harm minimisation measures that could be implemented.
31. While the Federal Group in Tasmania makes contributions to social causes outside of the CSL fund, it is currently exempt from contributing to the CSL for EGM operations in its casinos.
32. Extending the CSL to apply to EGMs would deliver equity across the gaming industry.
33. Western Australia is the only jurisdiction in Australia where EGMs
34. are currently confined to casinos.

## **Terms of Reference**

- (d) An assessment of options on how market-based mechanisms, such as a tender, to operate EGMs in hotels and clubs could be framed**
- (e) Consideration of future taxation and licensing arrangements, informed by those in other jurisdictions**
- (g) Consideration of the duration and term of licences for the various gaming activities post 2023**

- 35. Tasmania is the only jurisdiction in Australia where the licensed casino operator fulfils a number of EGM related licensing and operational roles for other venues, whilst benefiting from operating its own EGM venues in the community.
- 36. Network Gaming as the sole owner and operator is generally well regarded by venue operators and the TLGC.
- 37. Network Gaming is a subsidiary of Federal Group, which owns gaming venues. As such, there is a potential conflict of interest (real or perceived) that Network Gaming has the means to locate EGMs in venues that serves its own interests.
- 38. Exclusive ownership of EGMs enables Network Gaming to generate and retain returns from its monopoly position, which under a competitive market, would otherwise be retained by venue owners or the State.
- 39. Network Gaming's monitoring compliance role is in potential conflict of interest (real or perceived) with its commercial role as an EGM operator.
- 40. A monopoly provider of EGMs possibly weakens the incentive and scope for innovation in provision of gaming services.
- 41. A venue operator model would remove any potential conflict of interest (real or perceived) in having a Network Gaming responsible for determining the allocation of machines to competing venues.
- 42. A venue operator model would address any potential conflict of interest (real or perceived) for the Federal Group between Network Gaming's monitoring role and its role as an EGM owner.



43. A venue operator model would increase competition in the procurement of EGMs and gaming software, and provide venues with greater incentive and scope for innovation and investment in gaming services.
44. A venue operator model could facilitate small venues having the option to lease EGMs from a variety of suppliers.
45. Evidence was inconclusive as to whether compliance costs would increase under a venue operator model.
46. The current compliance costs under Tasmania's system are relatively high at \$1,781 per EGM, compared to a range of \$123 to \$1,186 per EGM in other states. This may to some degree be attributable to the size of the jurisdiction in Tasmania.
47. The current model for regulating EGMs in Tasmania provides an effective and simple model for the TLGC to oversee the industry. The TLGC would likely require additional resources if the model changed.
48. The experience in other jurisdictions demonstrated that effective regulatory control on harm minimisation, accountability and machine quality can be achieved through a venue operator model when combined with an independent Licensed Monitoring Operator (LMO) to monitor the EGMs.
49. Treasury modelling has confirmed Network Gaming retains significant returns under the current operating model. If the model were to change, the current Network Gaming returns would potentially become available to venues, the State and/or EGM players (noting Tasmanian player returns are already in line with mainland States).
50. Synergies Economic Consulting's analysis of the Department of Treasury and Finance modelling provided to the Committee has found that returns to the State are low relative to mainland jurisdictions and that the low returns could largely be addressed by the State retaining excess returns to Network Gaming.
51. Federal supports casino tax rates similar to those experienced by casinos in Townsville and Cairns.

52. Using a competitive tender process to allocate the LMO role would provide a means for the Government to achieve true market value for the licence.
53. There are options regarding the LMO role; including but not limited to:
  - Maintaining the status quo.
  - Tendering to a single independent LMO to perform the role on an exclusive basis.
  - Opening the market to competition from multiple LMOs.
54. Taking Tasmania's circumstances into account, the option of a competitive LMO model is likely to offer limited benefits given the small size of the market.
55. Perpetual and fixed period models both operate in Australia.
56. Synergies Consulting advice to the Committee was that adopting a fixed term for an EGM license to align with the operational life of the machine would provide investment certainty for the entitlement holder.
57. The Committee also notes that a perpetual arrangement may also provide investment certainty.
58. A fixed term licence would allow scope for policy flexibility to reduce the number of EGMs in the market over time.
59. Any new arrangements could have mechanism(s) that allow for the reduction in the EGM cap over time.
60. A fixed term licence, if adopted, would present an issue about what happens at the end of the term – is it automatically renewed for appropriate performance or are EGM numbers progressively reduced over time.
61. The capacity to transfer licences was evidenced in other jurisdictions.

62. The Committee has been unable to form a view on the merits or otherwise of the MONA casino proposal mentioned in the Framework. Mr David Walsh declined to appear before the Committee and did not provide a specific submission to the inquiry that addressed the MONA proposal.
63. There is merit in adopting progressive tax rates for EGMs in hotels and clubs.
64. There does not appear to be a benefit in differentiating EGM tax rates between hotels and clubs given the limited number of clubs in Tasmania involved with EGMs.
65. The prevalence and impact of EGMs in clubs in other States, particularly in Queensland and New South Wales, is significantly higher than in Tasmania.
66. There is an opportunity for the rights to operate Keno in Tasmania to be tendered.
67. Keno tax rates in Tasmania are comparatively low to some other States and Territories.
68. If the right to operate Keno is subject to a competitive tender, then the tax rate for Keno in Tasmania could be raised to match the average of those applying to Keno interstate to ensure the Tasmanian Government receive a sufficient share of revenues from Keno.
69. A single network operator may be most appropriate model for Keno in Tasmania.
70. There are plausible scenarios where the absence of gambling would not cause economic harm. The Committee acknowledges the Ministerial statement which makes specific reference that for many Tasmanian gamblers, gambling is an enjoyable and lawful activity.
71. There are various casino based gaming products that are currently restricted in Tasmania such as electronic table games.
72. There was no evidence suggesting the arrangement currently in place for the TT Line and its 36 EGMs should be changed.

73. The Committee has had insufficient time to complete a thorough investigation and consultation on the Federal/THA proposal. The proposed model was presented on the final day of hearings (18 August). The preliminary analysis contained in the body of this report was prepared by the Committee's Economic Consultant. The Federal/THA proposal will be a matter for the Government to evaluate the model in further detail along with the information obtained as part of this inquiry.

# RECOMMENDATIONS

The Committee was unable to reach a majority decision on the question of whether EGMs should be removed from hotels and clubs in Tasmania. The following recommendations have been agreed to by majority decision in response to the terms of reference:

1. The Government revisit the number of EGMs (150) which are to be removed from circulation as stated in the Hodgman Liberal Government post-2023 Gaming Structural Framework.
2. The Government adopt strategies to facilitate the reduction of a significant number of EGMs from Tasmanian Hotels and Clubs by the 1<sup>st</sup> of July 2023.
3. The Government devise a mechanism to facilitate a reduction of the number of EGMs in Tasmania post 1 July 2023 as required.
4. The Government work actively with communities that are concerned with the density of EGMs in their local area to enable voluntary mechanisms to reduce the number of EGMs.
5. EGM licences are not issued in perpetuity.
6. Further investigation is needed by the Government to ascertain an appropriate duration of EGM licence that is of sufficient length to create investment certainty for industry.
7. The Government support the Tasmanian Liquor and Gaming Commission initiatives to control gaming supply and demand under the mandatory code.
8. The reporting period between the Social and Economic Impact Studies be increased from the current 3 yearly requirement.
9. The Community Support Levy (CSL) be extended to apply to EGMs in casinos.
10. Funding for targeted CSL programs should be regularly reviewed, including an evaluation of their effectiveness. There is merit in

seeking input from service providers operating in the sector to contribute to decisions about the allocation of funds whilst protecting the funding of important existing services such as the Neighbourhood House program.

11. The Federal Group retain licenses to operate their two existing casinos.
12. If the casino licence is to be exclusive it should not be in perpetuity. The annual licence fee should be reassessed and should reflect the value/worth of the licence if it was to be put on the open market.
13. Any future casino licences will be limited to high roller non-resident casinos through a market based process.
14. A cost/benefit analysis for casinos should be undertaken by Government before any additional license(s) in the North and the South of the State be approved.
15. The casino based gaming products in Tasmania be reviewed against the product range permissible in other States.
16. If a tender process is not followed, then the Federal Group, as the sole licensed operator of Keno in the State, should incur an increase in the tax rates payable.
17. A progressive (sliding scale) tax be introduced for EGMs in hotels and clubs.
18. The Government identify options that maintain the profitability of Hotels, Clubs and Casinos (in aggregate) if a progressive (sliding scale) tax is introduced.
19. In the implementation of recommendation 17, the Government identify options that achieve this outcome whilst leaving hotels and clubs and casinos (in aggregate) no worse off from the change.
20. A venue operator model is desirable for EGMs and appropriate transitional arrangements put in place to accommodate industry participants.

21. During a transition period, Network Gaming would be able to continue its existing EGM lease arrangements with venues.
22. If the LMO owns EGMs, an appropriate ring-fencing arrangement is required between its EGM gaming business operators and its monitoring role.
23. The taxation rates on table games in casinos to be comparable with regional casinos in other jurisdictions.

# CHRONOLOGY OF EVENTS

31. The gaming industry in Tasmania has a complex history. In the context of any possible changes to current arrangements in a post-2023 environment, it is important to briefly note the major events since the decision to award the first casino licence in Australia was made.
32. Individual documents referred to in the following chronology may be considered as background information.

## Chronology of Major Events

**1968** – Introduction of the *Wrest Point Casino Licence and Development Bill 1968*. A referendum was held in which 53% voted in favour of the casino and 47% were opposed.

**1973** – Federal Hotels opens Wrest Point Casino.

**1982** – Launceston Country Club Casino opens.

**1986** – Electronic gaming machines are introduced to Wrest Point and Launceston Country Club Casinos.

**1990** – Keno introduced to Wrest Point and Launceston Country Club casinos

**1992** – Publication of the *Report of the Committee for the Review of State Taxes and Charges into the Extension of Gaming Machines into Hotels and Licensed Clubs*.

**1992** – Publication of TasCOSS' *Inquiry into the Social Impact of the Extension of Video Gaming Machines Beyond Casinos in Tasmania*, commissioned by the State Government Department of Community Services.

**1993 (April)** – On 27 April 1993, the Legislative Council established a Select Committee to examine *Video Gaming Machines Extension beyond Casinos*. The Committee reported on 1 August 1993 and recommended



that 'poker machines' be allowed into licensed clubs, hotels and the casinos in the manner recommended in the report and on the conditions agreed to by the Select Committee.

**1993 (June)** – The *TT-Line Gaming Bill 1993* receives Royal Assent and provides for the introduction of gaming machines on Bass Strait ferries.

**1993 (August)** – The Government reaches agreement with Federal Hotels to provide it with exclusive rights to operate gaming machines for 15 years from 1 January 1994, with the introduction of gaming machines into hotels and clubs commencing in January 1997.

**1993 (November)** – The *Gaming Control Bill 1993* is introduced into the House of Assembly. Schedule 1 of the Bill is the Deed of Agreement between the Government and Federal Hotels.

**1993 (December)** – The *Gaming Control Bill 1993* is passed by the Legislative Council and received the Royal Assent.

**1994** – Keno is introduced in hotels and clubs.

**1994** – Publication of the first study of the *Extent and Impact of Gambling in Tasmania with Particular Reference to Problem Gambling*. This was the baseline study. It was produced by the Australian Institute for Gambling Research.

**1997 (January)** – The rollout of EGMs to Tasmanian hotels and clubs commences and the Community Support Levy commences.

**1997** – Publication of the second study of the *Extent and Impact of Gambling in Tasmania with Particular Reference to Problem Gambling*. It was produced by the Australian Institute for Gambling Research.

**1999** – Publication of the Australian Government Productivity Commission's report on [\*Australia's Gambling Industries\*](#).

**2001** – Publication of the third study of the *Extent and Impact of Gambling in Tasmania with Particular Reference to Problem Gambling*. It was produced by Roy Morgan Research.

**2001 (October)** – On 4 October 2001, the Legislative Council established a Select Committee to inquire into the *Impacts of Gaming Machines*.

**2002 (December)** - The Committee reported and recommended that: the State Government commission studies of the social and economic impacts of gaming on the Tasmanian community; harm minimisation funding and strategies be broadened; the Tasmanian Gaming Commission be made separate from Government; and a Community Board be established to distribute the Community Support Levy instead of the Tasmanian Gaming Commission (from 1993 to 2003 the Tasmanian Gaming Commissioner was the Secretary of the Treasury Department).

**2003 (March)** – Following negotiations between the Government and Federal Hotels a second agreement was signed to issue Federal Hotels with an exclusive licence for a 15-year fixed period (commencing 1 July 2003 and concluding 30 June 2018), after which the licence will operate on a five-year rolling basis, renewable annually at the discretion of the Minister.

**2003 (April)** – The Treasurer gave a statement in the Legislative Council providing details on the new agreement and the Government's reasons for wanting to change the existing Deed.

**2003 (May)** – The *Gaming Control Amendment Bill 2003* and the associated Deed expressing the new Agreement between the Government and Federal Hotels was introduced into the House of Assembly.

**2003 (May)** – The Legislative Council referred the Deed to the Public Accounts Committee to investigate and report on.

**2003 (September)** – The Public Accounts Committee completed its *Inquiry into the Federal Hotels Agreement*, and recommended that the Legislative Council pass the *Gaming Control Amendment Bill 2003*.

**2003 (October)** – The *Gaming Control Amendment Bill 2003* is passed by the Legislative Council and received the Royal Assent.

**2004** – Publication of the National Competition Council’s *National Competition Policy Assessment Report*, which included assessment of the Deeds of Agreement between the Government and Federal Hotels and found ‘Tasmania as not having complied with its CPA [Competition Principles Agreement] obligations in relation to the areas subject to the Deed — gaming machines, casinos and minor gambling (Keno).’

**2005** – Publication of Anglicare Tasmania Report *House of Cards: Problem Gambling and Low Income Earners in Tasmania*.

**2005** – Publication of the Public Accounts Committee’s own motion inquiry report on the *Administration of the Community Support Levy*.

**2006** – Publication of the fourth study of the *Extent and Impact of Gambling in Tasmania with Particular Reference to Problem Gambling*. It was produced by Roy Morgan Research.

**2008** – Publication of the first *Social and Economic Impact Study into Gambling in Tasmania*. This report was prepared by the South Australian Centre for Economic Studies. Although this is viewed as the first report of its kind, it includes the fifth survey of the prevalence of gambling in Tasmania (following on from the studies published by the Australian Institute for Gambling Research and Roy Morgan Research in 1994, 1997, 2001, and 2006).

**2008** – Publication of Tasmanian Gaming Commission’s *Social and Economic Impact Study into Gambling in Tasmania – Policy Responses – Report to Treasurer*.

**2009** – Publication of the Public Accounts Committee’s *Report on Compliance with the Deed of Agreement, Schedule 1 of the Gaming Control Act 1993*. The 2003 Deed states that Federal Hotels would develop a new premium standard resort near Coles Bay which would be completed in early 2005. The Report included a focus on the progress of that development.

**2009 (December)** – Amendments to the *Gaming Control Act 1993* required the Tasmanian Gaming Commission to establish a mandatory code of practice to foster responsible gambling.

**2010** – Publication of the Australian Government Productivity Commission's second report on *Gambling*.

**2010** – Federal Hotels' luxury resort 'Saffire at Freycinet' opens.

**2011** – Publication of the Commonwealth Joint Select Committee on Gambling Reform's (Chaired by Andrew Wilkie) *First Report: The Design and Implementation of a Mandatory Pre-commitment System for Electronic Gaming Machines*.

**2011 (September)**– Tasmanian Gaming Commission releases the *Responsible Gambling Mandatory Code of Practice for Tasmania*.

**2011 (November)** – Publication of the second *Social and Economic Impact Study into Gambling in Tasmania*. This study was prepared by the Allen Consulting Group, the Problem Gambling Research and Treatment Centre, and the Social Research Centre. The study was released in parts from late 2011 and into 2012. It includes the sixth survey of the prevalence of gambling in Tasmania.

**2012 (March)** – Commencement of the *Responsible Gambling Mandatory Code of Practice for Tasmania*.

**2012 (November)** – Publication of the House of Assembly Select Committee *Report on the Gaming Control Amendment Bill 2010 (\$1 Bet Limit)*.

**2014** – Mr David Walsh – the owner of the Museum of Old and New Art (MONA) – proposed plan to add a hotel and 'high rollers' casino to the MONA site.

**2015 (August)** – Creation of Tasmanian Liquor and Gaming Commission (replacing the Tasmanian Gaming Commission and the Liquor Licensing Board).

**2015 (September)** – Mr David Walsh publishes a [post on his Mona Blog](#), which states that: ‘I won’t build the casino if its licence is conditional on the Federal Group being able to operate poker machines without any new restrictions, and with a monopoly extension’.

**2015 (November)** - Publication of the third [Social and Economic Impact Study into Gambling in Tasmania](#). This study was prepared by ACIL Allen Consulting, the Problem Gambling Research and Treatment Centre, and the Social Research Centre. The study was released in parts from late 2014 to late 2015. It includes the seventh survey of the prevalence of gambling in Tasmania.

**2016 (March)** – Treasurer, Mr Peter Gutwein MP, makes a [Ministerial Statement on Gaming](#) which announces the Government’s intention to establish a Joint Select Committee to conduct public consultation on the future structure of the gaming sector post-2023.

**2016 (April)** – Release of policy document: [Hodgman Liberal Government post 2023 Gaming Structural Framework](#).

**2016 (August)** – Tasmanian Parliament votes to support the Committee Inquiry into Future Gaming Markets, with a reporting date of 30 September 2017.

**2017 (March)** – Tasmanian Liquor and Gaming Commission - [Contemporary Gambling Harm Minimisation Policies and Initiatives](#) – A Desktop Review by Stenning and Associates.

**2017 (June)** – Tasmanian Audit Office [Gambling Revenue and Managing Harm from Gambling](#)’.

**2017 (July)** – Professor John Mangan – [Removing poker machines from hotels and clubs in Tasmania: Economic Considerations](#).

**2017 (August)** – Tasmanian Liquor and Gaming Commission – [First review of the Responsible Gambling Mandatory Code of Practice for Tasmania – Options Paper](#).

**2017 (December)** – Fourth Social and Economic Impact Study (SEIS) report due.

**2018 (June)** – Federal Hotels fixed 15 year exclusive licence for Tasmanian gaming ends, rolling five year renewal option begins.

**2023 (June)** – End date of Federal Hotels exclusive licence for gaming in Tasmania after first five year renewal period. As the Treasurer explained in his March 2016 [Ministerial Statement on Gaming](#): ‘under the terms of that 2003 Deed, the Federal Group has the exclusive right to operate EGMs, Keno and casino table games in Tasmania until at least 30 June 2023. That Deed has two phases – a fixed 15 year phase, which concludes in 2018, and a rolling five year phase, which automatically commences in 2018. Under the Deed, if no action is taken by the Minister responsible for the Gaming Control Act (currently the Treasurer) before 30 June 2019, the period of exclusivity under the Deed will extend by one year, to 30 June 2024. This arrangement then rolls over every year unless action is taken to cease it.’

33. *This inquiry has been established for the purpose of looking at future gaming arrangements in Tasmania. The historical events contained in this chronology have not been considered in any detail other than, where relevant, for the purpose of addressing individual terms of reference.*

# EVIDENCE - TERMS OF REFERENCE

34. It should be noted that due to the complexities of this inquiry it is advantageous that the terms of reference are grouped together to ensure an effective flow of information. This grouping also allows the Committee to focus its deliberations around terms of references that have commonalities. It is felt that that term of reference C is an appropriate starting point.

## POLICY OVERVIEW

<u>TERM OF REFERENCE C</u> - Consideration of the document entitled “Hodgman Liberal Government post-2023 Gaming Structural Framework”.
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35. The starting point was for the Committee to give due consideration to the Government’s policy position.
36. There are two documents that inform the Government’s current policy position on gaming. The first document is a Ministerial Statement from the Treasurer was released on 17 March 2016. The Statement outlines five guiding principles and a set of policy positions in relation to casino operations as well as hotel and club EGM arrangements post-2023.
37. The Ministerial Statement also confirms the Government’s desire for a transparent and consultative process in order to determine the details of the post-2023 arrangements, involving the establishment of the current Joint Select Committee – **Appendix A**.
38. The second document is the ‘Hodgman Liberal Government post-2023 Gaming Structural Framework’ and was released in April 2016. It confirmed a limited number of policy details – **Appendix B**.
39. Under its guiding principles, in a post-2023 environment, the Government envisaged an ongoing and sustainable industry operating into the future.
40. The following key points can be taken from both documents –
- A wide range of gaming products should be available to consumers;

- The industry will need to be sustainable and balance high standards of probity whilst minimising harm;
- There should be an appropriate distribution of revenue between industry, players and the Government;
- EGM's placed in new venues should be subject to a public interest test;
- The Federal Group's current rights (legislative) should be maintained; and
- The term of gaming licences should take into account the required level of investment.

41. **'Part B – Proposed Policy Position'** also confirmed some of the Government's basic expectations regarding the future arrangements –

- Federal will maintain its existing EGM and table gaming arrangements in the two casinos;
- A high roller, non-residential casino licence (MONA) is permissible in Southern Tasmanian and subject to such a licence being granted, a second licence in Northern Tasmania made available;
- A market based mechanism should determine the allocation and price of hotel and club EGMs post 2023;
- The EGM numbers should be reduced by 150 to 3530;
- Tax rates and licence fees should be reflective of the Australian market rates;
- The Community Support Levy reviewed; and
- EGMs to be established in new hotels or club venues should be subject to a public interest test. This new test would not extend to existing arrangements in place as of March 2016.

42. The Premier and Treasurer were queried about the Framework and Ministerial Statement as part of the inquiry process. They were asked to what extent the Government would be open to options regarding the future arrangements in the context of the Framework that had been



released and whether the Framework was a starting point for discussion or a fixed view of the way forward.

*The Treasurer said in his Ministerial Statement in the House on 17 March 2016 that we want a fully transparent and robust consultation process that allows Tasmanians to have their say. This committee provides a vehicle for that to occur and would serve as an open and transparent fact-finding process to provide information for the formulation of more detailed structural policy elements within the policy framework the Treasurer had set out, and to help inform the Government's final policy position. We welcome the committee's efforts in this regard, including us being before the committee today. We look forward to receiving your report in due course. We will consider very seriously all the findings and recommendations of this committee in its report.<sup>1</sup>*

43. The public statements of the Premier and Treasurer at the Committee hearing were important in clarifying the Government's understanding of the Committee's role in that they were able to clarify that the Government did not have a firm position on the majority of issues to be considered under the terms of reference other than the preliminary views expressed under the Framework.
44. The Committee took from these statements that the Government would seriously consider recommendations that were based upon evidence and the views of the Tasmanian community. The Committee noted this to include possible changes to the positions expressed in the framework when the Premier stated that,

*We want to hear the views of Tasmanians, including in relation to our stated policy position and with respect to any other matters contained within the terms of reference, which include an ability for the committee to consider any matters it deems appropriate.<sup>2</sup>*

45. The Premier also noted during his appearance before the Committee that:

*We have stated we are not going to undertake negotiations with the current operator, the Federal Group, without an open and transparent process. This is a significant departure from the past. Most*

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<sup>1</sup> Hansard Transcript, Mr Will Hodgman, Premier, 22 March 2017, p.1

<sup>2</sup> Ibid

*importantly, we believe the right to operate electronic gaming machines post-2023 should be determined, allocated and priced by testing the market. This has not happened before. What we are proposing is a game changer in determining the future of electronic gaming machines operating in our state. For the first time we are proposing to put to the market, have the market test, the licence to operate electronic gaming machines in pubs and clubs in our state. Handing the licence to a single operator without a competitive process is something we have consistently been critical of and we believe very strongly it must not happen again when the current contract expires in 2023.*

*One key part of our stated policy position is that we recognise gambling is a legitimate recreational pastime. We don't ignore the fact that gambling activity can have serious adverse impacts for some people and we are committed to have in place strong harm reduction measures and I do note, and note the evidence to this committee, that ours are described typically as nation-leading in assisting those who are vulnerable in our community.*

*We have introduced a new public interest test to determine the location of gaming machines and our policy proposes a reduction in the number of gaming machines in the state by around 150 machines. We believe it is appropriate to also review the tax rate licence fees for EGMs and the application of the community service support levy and to ensure that returns to players, the licensed entity or entities in these venues and the community via the Government are appropriate, reflective of the broader Australian market.*

*Gambling is, and I believe always will be, a product of human nature. The question for government is how best to regulate it and how to support our community and provide protections for our community. The process which the Treasurer and I are very pleased to be participating in today is an important part of the community conversation. We have brought this forward in the interests of openness and transparency and accountability. We have been prepared to state a public policy position on it but importantly to allow*

*for Tasmanians to have their say as well. I thank you all and I suggest the Treasurer might also make a short opening statement.*<sup>3</sup>

46. Some witnesses questioned the starting point for discussions on the future arrangements for gaming in Tasmania. Dr James Boyce commented on the general history of gambling arrangements in Tasmania as a reminder of previous events.

*Most people in the Tasmanian community think there was a referendum, that we voted to bring in the casino by 53 per cent to 47 per cent. In fact, the 1968 referendum, for the record and to put on Hansard, did not ask the Tasmanian community whether they wanted a casino or not. It asked them, 'Do you support the provisions of the Wrest Point Development Casino Act?' They voted for the large development of Wrest Point. Built into that was a no-pokies promise. The only way they could get this casino up - the first casino in Australia - through a socially conservative community was to promise there would be no poker machines. That was built into the original legislation.*<sup>4</sup>

47. The Framework has therefore been considered by the Committee as a starting point for an investigation of future arrangements, taking into account the terms of reference, the diverse views of all stakeholders and some preliminary views from the Government that were expressed under the Framework.
48. Comment on the Framework was received through submissions and other evidence noting that much of the existing arrangements would remain in place. Meg Webb from Anglicare stated:

*The Government is entirely at liberty to put forward a framework for consideration, and they did so. We would regard that they missed out from that framework the very clear option to consider a future for Tasmania without poker machines in hotels and clubs. You are having a Parliamentary committee process that we are very pleased to be involved in and we are very pleased has a specific term of reference the seeking of community views and attitudes.*

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<sup>3</sup> Ibid

<sup>4</sup> Hansard Transcript, Dr James Boyce, 8 February 2017, p. 4

*We think that if we go out to the community, we have gone out to the community, and asked them what sort of future they would like for this state in relation to poker machines in hotels and clubs, they overwhelmingly say they want less or they want them removed entirely. That is what we know from going out and talking to communities.*

*Alongside what the Government has put forward in their framework for consideration, we are here to say there is another option that is not in that framework that can absolutely be considered by all the leaders in the state as a best positive future for Tasmania. It is an option that will be welcomed by the Tasmanian community. We know four in five Tasmanians, consistently over decades, have said that they believe poker machines cause harm and do not believe their community benefits from having them in local venues. The community will welcome the option we are putting forward.<sup>5</sup>*

49. Mr Peter Hoult also made similar comments:

**CHAIR** - *In framework B, hotels and club EGMs, the Government has no fixed view as to alternative structural options for the ownership of EGMs in hotels and clubs post-2023, but they have made a decision they will cap at 150 less. You rightly made the observation, well, what is 150, because most of those have not been taken up anyway? It is saying again they are going to be there in whatever guise regardless of the community conversation. We have clearly heard over the last two days groups saying the community does not want EGMs in pubs and clubs.*

**Mr HOULT** - *Absolutely. I think the Government position is that the status quo will remain, minus 150 machines.<sup>6</sup>*

50. The underlying assumption or expectation is that existing EGM numbers in venues would largely remain the same and that the existing casino operator would continue to hold a licence without testing the market.
51. The Government Framework supports an additional licence for MONA to operate a high roller casino and a similar offer for Northern Tasmania, if there was any market interest in such a licence.

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<sup>5</sup> Hansard Transcript, Ms Meg Webb, 14 February 2017, p.34

<sup>6</sup> Hansard Transcript, Mr Peter Hoult, 15 February 2017, p. 51

52. The Federal Group confirmed in its submission that it was broadly supportive of the Framework with the following conditions –
- a. Guiding Principle 5 – Generally agrees but notes that the duration of the licence should take a number of factors into account
  - b. Policy Position B –
    - i. Taxation and transitional arrangements will need careful consideration;
    - ii. EGM caps will require careful consideration
    - iii. Some questions need to be answered about the allocation of Community Support Levy funds to certain programs into the future; and
    - iv. An appropriate balance required in relation to a future community interest test for EGMs.<sup>7</sup>
53. Anglicare confirmed in its submission that it did not support the Framework because its implementation would result in a continuation of harm at current levels which Anglicare believed were not acceptable. Further, the Productivity Commission had previously indicated that there was a link between a reduction in returns to industry and government and an associated reduction in harm, which was not reflected in the framework as the status quo would continue.<sup>8</sup>
54. Anglicare Social Action and Research Centre Manager Ms Meg Webb elaborated on the submission during her appearance at a hearing.
- .....we have gone out to the community, and asked them what sort of future they would like for this state in relation to poker machines in hotels and clubs, they overwhelmingly say they want less or they want them removed entirely. That is what we know from going out and talking to communities.*
55. Local Government Association of Tasmania Chief Executive Officer Dr Katrena Stephenson expressed similar views on behalf of Local Government.

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<sup>7</sup> Federal Group written submission, p.56-66

<sup>8</sup> Anglicare written submission, p.33

*The issue is giving weight to the community's voice and that doesn't exist at the moment. How do you shift the regulatory environment, the market environment so that the communities have a say, and from a local government perspective where a key function is the health and wellbeing of communities, that is a key driver.*<sup>9</sup>

56. Australian Christian Lobby Tasmanian State Director Mr Mark Brown referred to the following extract from his organisation's submission in relation to the Government's policy position during a hearing.

*ACL regards the hidden social costs of gambling as far outweighing the quantifiable financial gains that accrue from the current gambling arrangements. The Hodgman Government has an exceptional opportunity to show strong leadership by adopting and implementing policies that prioritise the protection of the vulnerable Tasmanians over short-term profits and to demonstrate that the best interests of the Tasmanian community are its highest priority.*<sup>10</sup>

57. Community Voice on Pokies Reform representative Ms Meg Webb (separate appearance than with Anglicare) also commented on the Government's need to carefully consider its future policy position.

*We would expect that the recommendations from this committee would be well considered by everybody - the government of the day and other leaders of our state - around a position to take forward on this to inform their public policy, absolutely. What we have seen in the history of public policy around poker machines in this state is that there have been other committees held and those recommendations haven't informed subsequent public policy. There has been government-generated research and studies that were intended to inform government policy that then didn't inform government policy. We really hope this is a turning point where what you have heard across the balance of all evidence presented to you provides some good recommendations from this committee that then becomes information that is drawn on to develop public policy by the Government and others in the Parliament going forward.*<sup>11</sup>

58. Mr Peter Hoult raised concerns;

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<sup>9</sup> Op.Cit. Dr Katrena Stephenson, p.49

<sup>10</sup> Op.Cit. Mr Mark Brown, p.77

<sup>11</sup> Op.Cit. Ms Meg Webb, p. 21-22

*I was slightly concerned about the statements in the Hodgman Government document that seemed to imply the regulator should have some concern with the ongoing viability of the industry. I find that very concerning and would argue that much of what we were able to do as a gaming commission during my period on the commission would have been much more difficult if we had a requirement we were to concern ourselves with the sustainability of the industry. As chairman, I made the repeated point that any successive harm minimisation would result in reduced revenues to the industry and to government and if it didn't reduce revenue it probably wasn't doing any good at all. With my ex-regulator hat on I would like to see this committee carefully come out and say that is not a role for the regulator. It may be a role for the regulator in an essential industry such as electricity or water, because failure of those industries would be traumatic, but it's a very different kind of industry we are talking about here.<sup>12</sup>*

59. He also commented that;

*I think I said at the start I thought you had weird terms of reference. I think they are even weirder, given the fact that the Government came out with a policy statement, which basically, in broad terms, said the status quo will continue. It said a few little things about high roller casinos and stuff like that but that is almost by the by. Basically, the principles say that there will continue to be an electronic gaming industry in Tasmania which involves pubs and clubs.<sup>13</sup>*

60. Professor Mike Daube from Curtin University also raised some concerns about the Framework.

*My concern here is that surely it is not the role of government to be involved in designing a sustainable gambling industry. The guiding principle, in my view, should be first and foremost to protect the health and wellbeing of the community. I was a little surprised that that wasn't a primary theme.<sup>14</sup>*

And that

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<sup>12</sup> Op.Cit. Mr Peter Hault, p. 42

<sup>13</sup> Ibid. p.50

<sup>14</sup> Op.Cit. Professor Mike Daube, p. 3

*It is important to recognise that self-regulation in relation to these industries never works effectively.<sup>15</sup>*

61. By contrast, the THA confirmed its support for the Framework.

*The THA was also very aware of the principles and policy position set out by the Tasmanian Government in their structural framework document. The THA supports these principles and policy positions. The discussions with the Federal Group have centred around delivering a better outcome from 2023 for THA members while also delivering on the principles and policy of the Government.<sup>16</sup>*

62. The Dixon Group also confirmed their support for the Framework in their written submission ‘...we support the general thrust of this paper but believe the Community Interest Test should have been applied from the date of enactment of the legislation’.<sup>17</sup>

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<sup>15</sup> Ibid

<sup>16</sup> Op.Cit. Mr Steve Old, p. 21

<sup>17</sup> Written submission, Dixon Group



## **THE SOCIAL IMPACT OF GAMBLING**

TERM OF REFERENCE A - Consideration of community attitudes and aspirations relating to the gambling industry in Tasmania with particular focus on the location, number and type of poker machines in the State.

63. The majority of submissions considered the issue of community attitudes and aspirations to gaming. As already noted, a number of the submissions received were limited to noting a general objection to EGMs and that they should be removed from Tasmanian communities due to the harm caused either to individual communities or Tasmania more broadly. These submissions were accepted and were taken to have broadly addressed term of reference A.
64. This evidence covered a range of concerns and objections, with some focused on specific communities and others on the broader question of the social impact of gambling in Tasmania more broadly. The majority of these submissions were however focused on the issue of EGMS in hotels and clubs.
65. The Committee received submissions from the gaming and broader business sector that addressed this term of reference. Submissions were supportive of current arrangements continuing and highlighted the positive contribution that gaming operations made to regional communities and in particular, the need for the current arrangements to remain in place in order to ensure the ongoing viability of many venues that were operating in regional communities.

### **The Case for EGM Reform**

66. A significant amount of evidence was received by the Committee that outlined the negative impacts that gaming has had on local communities. Although this inquiry is not limited to consideration of the issues associated with EGMs, the majority of evidence was focused on this type of gaming product as it is the primary gambling activity covered by the terms of reference that takes place in communities.
67. Evidence was received from individuals, community sector organisations and advocates for gambling reform in Tasmania. Although all of the

contributions cannot be referred to directly in this report, a snapshot of some of the community concerns has been noted directly in this report.

68. Ms Webb commented on the role of the Committee in relation to EGM reform.

*We believe this parliamentary committee and the state Government's response to its findings is a once-in-a-generation opportunity for this state. We think it is an opportunity for our state leaders to make clear, accountable and evidence-based decision-making on the future of poker machines for Tasmania. Our proposal is clear. It is for poker machines to be removed from hotels and clubs at the expiration of the current deed and then located only in casino environments where greater consumer protection can then be put in place around them.*<sup>18</sup>

69. There was a general consensus amongst the individuals and groups opposed to EGMs in the community, that they should be removed and be limited to casinos in the future or in some opinions, banned altogether. A general observation made was that this was possible in Tasmania for a number of reasons, including the lack of perpetuity of arrangements and the limited reliance the Tasmanian Government has on gaming revenue in comparison with many other States.

70. A common position put forward was that gambling addiction should be treated as a public health issue. This was well summarised by TasCOSS in its written submission where it noted;

*The community sector is advocating for government to view gambling as a public health issue. The public health perspective allows for an exploration of the individual biological and behavioural elements of problem gambling (the current approach), but can also identify and ameliorate the social and economic determinants of problem gambling behaviour; for example unemployment, poverty, and the effects of co-morbid elements such as alcohol, drugs and cigarette smoking'.<sup>19</sup>*

71. Chief Executive Officer of TASCOS Ms Kym Goodes later confirmed the position of the organisation at a hearing.

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<sup>18</sup> Op.Cit. p. 23

<sup>19</sup> TasCOSS written submission

*TasCOSS is advocating strongly for a public health approach to the harm of poker machines. We need a research-based approach and we need to make sure that decision making is based on research and not just the voice of, for example, our sector but also the voice of industry but it is strongly underpinned by the research that is available.<sup>20</sup>*

72. The TASCOS submission further noted;

*That is the population health perspective. There is a range of areas within our community that people use their own decision-making to access. There is a debate around some of those areas, including things like a sugar tax, for example. At what point do you acknowledge that the harm is so great for some parts of the community that it outweighs what you are describing? On that I would say a couple of things. It is undisputed that Australian poker machines are rigged to win and despite evidence you heard from last week, I think there are very few people who don't walk up to a poker machine with some expectation that they may win money. There are a range of other social activities people can participate in that aren't in the form of gambling or betting. The reason they sit in front of a poker machine rather than a movie is because at some level there is an expectation they may win some money<sup>21</sup>*

And she further noted:

*We also think that there is a fundamental question to ask here. How much harm would we need to demonstrate to you for there to be a major change in public policy in Tasmania? What cost would we have to show you to individuals, families, other businesses and the community for a change to be made? Even if we used the statistics which we believe to be underestimates about gambling problems in this state, the situation is still alarming. They tell us Tasmania has 2000 problem gamblers who gamble, on average, 890 times a year and spend \$14 000. They also tell us there are 21 000 moderate and low-risk gamblers who gamble about 80 times a year and spend about \$3000. To put that in perspective, the \$3000 that is spent per year by low and moderate risk gamblers is more than is spent by the*

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<sup>20</sup> Op.Cit. Ms Kym Goodes, p.13

<sup>21</sup> Op.Cit. p. 11

*average Tasmanian household on health and clothing combined and is double what is spent on alcoholic beverages and tobacco. Research also estimates that for every person with a gambling problem five to 10 others will feel the impact and the harm of that problem. The harm from poker machines in the Tasmanian community is not currently being addressed.*<sup>22</sup>

73. Victorian Primary Care Partnerships Advisor Ms Susan Rennie, referred to a recent Victorian Responsible Gambling Foundation Study that was commissioned in relation to the health impacts of gambling.

*I do not know if you are familiar with the study that the Victorian Responsible Gambling Foundation commissioned a couple of years ago which looked at the burden of disease created by gambling. .... The most ground breaking kind of result, I suppose, was that when you add up the burden experienced by different members of the community, problem gamblers only account for 15 per cent of the harm. Moderate-risk and low-risk gamblers together account for 85 per cent of the harm. That is why, if we focus on problem gamblers and we are trying to reduce harm in our community by focusing on problem gamblers, even if we are 100 per cent successful with eliminating problem gambling, and we are not going to be but even if we were, we would only have eliminated 15 per cent of the health burden on our community.*<sup>23</sup>

74. Mr Peter Hault commented on the public health concept of gambling from his previous time with the Department of Health and Human Services in Tasmania.

*It's been discussed quite a lot over the years. Back when I was in Health in 1989-90, a group of people said this is a social health issue and so on. It helps if you can avoid the fruitless argument that 1 per cent or 2 per cent of the population are harmed by gaming machines, partly because that is a statistical nonsense argument. I always say that is like counting how many air crash fatalities there are against all the people in the world when only a quarter of the world's people have ever been on an aeroplane. It is that sort of silly statistical argument. Get away from that and say there are significant harms. If we were*

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<sup>22</sup> Op.Cit. Ms Meg Webb, p. 24-55

<sup>23</sup> Hansard Transcript, Ms Susan Rennie, 27 June 2017, p. 19

*looking at this as a social health issue under the UN definition of social health, we would definitely say we should be doing something about this on health grounds.<sup>24</sup>*

75. Relationships Australia Tasmania Manager of Intervention Services Ms Robyn Black explained the issue of addiction further.

*There are multiple complex factors that make people gamble. Although it may be because people have experienced trauma and disadvantage and it is a way to escape, we also know this about the average man and woman in the street who have gone to play pokies on a night out, who think it is an easy win and keep going back because of the design of the machines and the design of the venues.*

*Why don't people just stop? Because the systems around the pokies are designed so you cannot stop. The very things inherent are in the design of those machines so that people who are more vulnerable to them because of a range of psycho-social factors cannot stop what has become an addictive behaviour. This is not accidental. The machines are designed to do that. We know that the graphics, the sounds and the physical environment all combine to deliver what has been likened to the crack cocaine of gambling or the electronic morphine. Any one of us is susceptible if we keep putting money into poker machines.<sup>25</sup>*

76. Ms Black also explained the background to the organisations client group.

*Of the clients who come to us because they have a problem with gambling, the majority cite gaming machines in clubs and pubs as part or all of their problem. Many of these clients earn between \$300-\$1000 per week or are on a pension or a benefit. They are not people who can afford to gamble. They are vulnerable and desperate and, as I said, have often reached the very bottom before we get to try to help them. Then there are those who have started gambling from a position of relative financial security and wealth and who have lost everything.<sup>26</sup>*

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<sup>24</sup> Op.Cit. Mr Peter Hault, p. 7

<sup>25</sup> Op.Cit. Ms Robyn Black, p. 2

<sup>26</sup> Ibid

77. Anglicare Policy, Strategy and Development Officer Ms Margie Law commented on the intention of EGMs as a trap.

*Poker machines are not ordinary entertainment or like going to the movies, as the gambling industry claimed earlier at these hearings. The industry has purposefully designed their machines to compel people to use them. Len Ainsworth, the founder of Aristocrat, which makes the machines used in Tasmania, proudly describes the machines as 'mouse traps'.<sup>27</sup>*

78. Ms Meg Webb from Anglicare also made similar comments.

*The diagnostic tool which is used by psychiatrists, DSM5, states that a person with a gambling disorder, which equates here in this state to a problem gambler or a moderate-risk gambler, usually has a preoccupation with gambling and chasing losses.*

*Thousands of people who have been harmed by using poker machines can only be harmed by repetitive and persistent attendance at venues. The venues see them over and over again. These people are not exercising free will in the way that you or I might be able to do were we to do it. They are addicted.<sup>28</sup>*

79. Holyoake Chief Executive Officer Ms Sarah Charlton explained her organisation's experience in assisting people with gambling addictions.

*I am going to be talking about pokies. I am not interested in the rest of the gambling stuff. That is the area where we see the real problem is - poker machines. For most problem gamblers or their families, the issue is poker machines. The machines, we find, are highly accessible. They are available widely in the community, inside and outside casinos, but the majority of the clients we see - I would say 85 per cent, which matches with the statistics from the Tasmanian Gambling Commission - probably 85 per cent of problem gamblers access poker machines in smaller clubs and pubs.<sup>29</sup>*

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<sup>27</sup> Op.Cit. Ms Margie Law, p. 27

<sup>28</sup> Op.Cit. Ms Meg Webb, p.28

<sup>29</sup> Op.Cit. Ms Sarah Charlton, p.14

80. Ms Charlton also noted,

*A gambling machine, a poker machine, isn't a social interaction; it's a one-on-one thing. It is a solitary action. People don't sit there and have cups of tea and talk about politics and world stuff. They are focused on a machine. It is not a social activity.*<sup>30</sup>

81. Tasmanian Baptist Churches Public Officer Mr Eric Lockett also commented on the impact on problem gamblers.

*Firstly, I do not want to swamp you with statistics. You have probably heard them all before, but I would like to remind you of three facts that are really beyond dispute. Although they make up a small proportion of the total population, thousands of Tasmanians are problem gamblers and this is largely due to EGMs more than pokies. The take from problem gamblers is grossly disproportionate to their numbers. Furthermore, each problem gambler has an adverse effect on the community, well beyond themselves and their own families. I am sure you have heard a bit about those effects. The ultimate outcome is a great deal of misery, of which the community is well aware.*<sup>31</sup>

82. In addition to the question of gambling being treated as a public health issue, many submissions noted the purpose of EGMs deliberately being programmed to condition and addict people. Dr Charles Livingstone noted in his submission that EGMs are the most effective form of gambling to release dopamine to the brain through anticipation, reward and looking for a payday due to the 'event frequency' of EGMs. He also noted that this was compounded by the frequency of venues and the high intensity experience the individual receives. He also noted that the use of EGMs enables the expenditure of large sums of money in a relatively short period of time.<sup>32</sup>

83. Dr Livingstone elaborated further on this point during a hearing.

*How do we explain the concentration of machines in areas of disadvantage? Firstly, you have a monopoly situation in this state where one company knows how much money every machine will make.*

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<sup>30</sup> Ibid

<sup>31</sup> Op. Cit. Mr Eric Lockett, p. 63

<sup>32</sup> Written submission, Rein in the Pokies (Dr Charles Livingstone extract)

*It has a monitoring system, there is almost perfect data available for each machine. Machines come and go but the ones that stick are the ones that are successful and different machines are successful in different markets.*

*A drip-feeder type machine - the Dolphin Treasure is in effect a drip-feeder - will be attractive to people who are not particularly risk-takers. A more volatile machine, one in which the rewards are much more intermittent but can be higher, will be attractive to gung-ho young blokes who want to prove to their mates how tough they are. But there is a machine for every demographic and the industry spends a lot of time developing new games for new demographics and it has the world's biggest test lab out there in Las Vegas, in Sydney, in Hobart and around the countryside in most Australian states.*

*You put a machine out there, if it works it stays there, it gets fine-tuned to go to the place where it is going to make the most money and that is what it does. It sits there until it is superseded or it runs out of puff.*

*You have this monopoly situation in Tasmania where one company knows everything about how machines perform and they can cherrypick the location where they put them. As I understand it from the last socio-economic impact report, the Treasury pointed out that Federal or its subsidiaries make the decision about where machines will go. We can see that reflected in the data that I presented.*

*Does this mean that people in lower income areas are stupid, lacking will or ignorant? No, it doesn't. What they are though is usually more under stress. To explain that I need to talk to you a little bit more about the relationship between what we see happening in people's brains and the form of addiction. What happens in people's brains is exactly the same as happens in people's brains who are addicted to cocaine. There is a neurochemical called dopamine. There are other neurochemicals but dopamine is the principal one and that is released in anticipation of a reward at the point of which a reward is achieved and in a number of other situations.*

*Someone who is living a stressful life, who is living a life under pressure can often seek relief. Sometimes they do it with alcohol, sometimes they smoke, sometimes they take narcotic drugs or other illicit drugs and*



*sometimes they find a relief with poker machines. I think the classic case of this would be the former Speaker of the House in Victoria - who is on Ka-Ching! - whose daughter committed suicide and unfortunately she found the body. She wasn't the Speaker, she was the government whip, and obviously someone of great confidence and expertise, not unlike you, ladies and gentlemen. After that event she found that the only thing that provided her with comfort and relief was a poker machine addiction. That of course went on to ruin her parliamentary career. She lost all of her possessions, including her house.<sup>33</sup>*

84. Dr Livingstone also made further comments on the question of gambling addiction.

*....the relationship between the index of disadvantage and the revenue per player, per adult, in the affected areas. You will see again a very strong relationship. This, in fact, is an extraordinarily strong relationship. It is the highest correlation co-efficient for this type of relationship that I have ever seen and I have studied a lot of it over the last 19 years.*

and

*Australia has 20 per cent of the world's high intensity slot machines, as they are known. Natasha Dow Schull wrote the book *Addiction by Design*, which is a classic and extremely informative academic book about poker machines or slot machines in Las Vegas and around the world. Natasha made the observation that the Australian-style machines took over the slot market in America when they were introduced there in the late 90s. That is because they are incredibly addictive and incredibly good at what they do, which is to part people from their money and to do it efficiently and quickly.<sup>34</sup>*

85. Director of Disability and Community Services Ms Ingrid Ganley noted that an increase in accessibility within lower socio-economic areas with EGMs in hotels and clubs had occurred.

*Putting gaming machines in pubs and clubs has certainly made them more accessible because it has taken them out of centralised locations*

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<sup>33</sup> Op.Cit. Dr Charles Livingstone, p.10-13

<sup>34</sup> Ibid

*and into the communities. Our observation is that the lower socioeconomic communities have quite high use of those machines.*<sup>35</sup>

86. The Local Government Authorities provided their assessments of the impact of EGMs in their communities. Brighton Council raised its concern with the adverse impacts of EGMs through their proliferation within its community. It noted that approximately \$2.2 million was being lost on EGMs per annum within the municipality and that this money may otherwise have been spent within the local economy on other businesses and services. The Council also noted that it, along with a number of other Councils, was a member of a community coalition advocating for EGM reforms - Community Voice on Pokies Reforms (CVPR) and called on EGMs to be removed from hotels and clubs as part of the reform process.<sup>36</sup>
87. Similar to Brighton Council, Hobart City Council confirmed its decision to become a member of the CVPR and that its Social Inclusion Strategy 2014-19 and membership of CVPR had focused the Council on minimising harm to members of the community that participate in gambling activities.
88. The Council observed that there was an estimated \$5.97 million lost on EGMs within the municipality that was money that would otherwise have been spent in local businesses and that for every person categorised as a problem gambler, up to seven additional people were indirectly affected. The Council did not directly express a view on the removal of EGMs from hotels and clubs within the Municipality but highlighted that there was strong community support for their removal, based upon various surveys that had been completed.<sup>37</sup>
89. In its written submission, the Glenorchy City Council noted that there were some 270 EGMs across nine venues in the Municipality and that approximately \$20 million was taken from these machines in 2014-15. It raised concerns about the disproportionately small Community Support Levy (CSL) funds received directly by the Glenorchy community to assist the community in comparison with the 17.5% of total levy the Municipality contributed through gaming activities on EGMs.

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<sup>35</sup> Hansard Transcript, Ms Ingrid Ganley, 7 February 2017, p. 24

<sup>36</sup> Written submission, Brighton Council

<sup>37</sup> Written submission, Hobart City Council

90. The Council also confirmed its membership of the CVPR and that it was calling for the removal of EGMs from the municipality on the basis of the consistent evidence of damage they had caused to the community. In addition, the Council noted that the community should have a much greater say in decisions that affect the community, such as the placement of EGMs within the municipality, if there were to be an ongoing presence outside of casinos.<sup>38</sup>
91. Glenorchy City Council Coordinator, Community Planning and Inclusion Dr Akin Falaki explained the community attitude to EGMs at a hearing.

*The community is becoming very sensitised about this issue. They really want action to be taken. They want to have a voice in this. While all of this conversation was going on, we still had applications for more poker machines within our community and the community responded in a way that we have never seen before. Tasmania is saying, 'No, we don't want this product within our communities. We should take them out.' It is that sentiment that we have within our community; just wanting to engage, wanting to have their say, the majority just literally saying the same thing. But it has not done us much good. It is taking away from us. What we see, clearly, is a lot of the impact and the devastation in families and within our communities. The poker machines should be taken out and be restricted to the casinos with regulations, of course.<sup>39</sup>*

92. Member of Rein in the Pokies, Mr Pat Caplice, provided his observations of the impact of EGMs on his community.

*I saw the effect in about 2000, the pokies were introduced there in 1997, and I could see the effect immediately of what was happening. Every single one of the pubs that I grew up, and I grew up in them all, is now a pokies palace. There is not a social area in the place, and the intent of them is to rake money out of people's pockets and I could see the effect of that.*

and

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<sup>38</sup> Written submission, Glenorchy City Council

<sup>39</sup> Ibid

*Poker machines are in the areas where they are going to extract the most money. That is quite simple. Where the money comes into the machines is where the machines are going to be.*<sup>40</sup>

93. The National Council of Women of Tasmania Inc (NCWT) noted its strong objections to the proliferation of EGMs into hotels and clubs across Tasmania and believed that easier access to EGMS had increased the prevalence of addiction and financial difficulties. It noted the need for reforms including:
- a. A reduction in EGM numbers;
  - b. An independent process to determine EGM placements and to consider community objections;
  - c. The broader application of the Community Support Levy to include casinos;
  - d. Change all EGMs to low-intensity, with a maximum \$1 betting limit; and
  - e. Improve exclusion programs.<sup>41</sup>
94. Youth, Family and Community Connections Inc (YFCC) raised similar concerns regarding the proliferation of EGMs on the North West Coast and in particular, the high proportion of EGMs located in Devonport. It noted that many of the clients the organisation supported had a range of significant issues including family and relationship breakdowns and financial hardship.
95. The YFCC suggested that there were a number of reasons for their clients having these difficulties, including mental or physical illness, unemployment, poverty or substance abuse and that some of the difficulties experienced were caused or exacerbated by EGM usage and addiction. The YFCC also noted its desire for EGMs to be removed from vulnerable communities and confined to casinos as this would be manage access to the machines.<sup>42</sup>

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<sup>40</sup> Op.Cit. Mr Pat Caplice, p. 5

<sup>41</sup> Written submission, National Council of Women of Tasmania Inc

<sup>42</sup> Written submission, Youth and Family Community Connections Inc

96. Similarly, Salvation Army Divisional Program Secretary Mr Stuart Foster commented on community attitudes to EGMs in the community since their introduction.

*Community attitudes: 20 years ago community attitudes were the same as they are today. We do not want poker machines in our communities, particularly low socioeconomic areas. That is what people were saying 20 years ago and that is what people are saying today. It was evident to me back then by the number - and I brought this - of letters that I received. They went to the Productivity Commission. The community voiced their view through letters to me at that particular time and they are doing it through different forums at the moment. I echo and endorse exactly what Glenorchy and Hobart are saying, so it's no good my saying that.<sup>43</sup>*

97. Mr Foster also noted that;

*The Salvation Army deals with people in this area of disadvantage. Not only do we see the individuals but we also see the families, wives and the children trying to keep food on the table because of an addiction within the family. We can relieve some of that pressure, especially in organisations like ours that deliver a very scarce resource of emergency relief in this state, but that money is going basically into the pockets of our gaming providers within the state. That is where the Salvation Army sits on this issue. There is an opportunity to do something about it now. We would like our Parliament to do something about it.<sup>44</sup>*

98. The Australian Association of Social Workers Tasmania (AASW) Vice-President Ms Allyson Smith also made similar comments.

*The AASW observes that research demonstrates that the main causes of problem gambling and systematic and structural and do not lie with individual problem gamblers alone. Most problem gambling relates to the use of electronic gaming machines and other forms of gambling that are easily accessible and enable continuous staking. We believe they are inherently unsafe and known to induce gambling problems.*

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<sup>43</sup> Op.Cit. Mr Stuart Foster, p. 38-40

<sup>44</sup> Op.Cit. Mr Stuart Foster, p.29

*Furthermore, the AASW is concerned with the rapid expansion of commercial gambling in Australia over the past two decades and the increasing accessibility of internet and mobile gambling in the digital age. We urge the Government to pursue a comprehensive public health approach to gambling. Such an approach seeks to protect and promote health, and prevent and minimise the harms associated in gambling.*

*In order to assure its success, these strategies require adequate and continuous funding and a significant focus on community engagement and the provision of services to rural and remote areas. In conclusion, given the AASW's position, we believe a path of greater regulation, education and support would be in the best interests of the health and wellbeing of Tasmanians.<sup>45</sup>*

99. Holyoake Senior Counsellor Ms Janine O'Neill later elaborated on her organisation's position at a hearing.

*I really think the casino should be the only place because it makes it harder to get to for some people with no licence or car. I still think we need to look at that area in itself, let alone the pubs and clubs, and now it has become the lifeblood and when you look at where a lot of these poker machines are concentrated, they are in the lower socioeconomic areas. It is compounding a lot of the barriers people are already facing.<sup>46</sup>*

100. Like other submission that had raised concerns about EGMs, Holyoake also commented on the geographical location of EGMs within local communities as having an influence on problem gambling and called for the removal of EGMs from hotels and clubs in order to prevent any further increases in the number of EGMs in casinos; to impose a \$1 bet limit on remaining machines and to increase the level of counselling that was available to problem gamblers.<sup>47</sup>

101. Women's Health Tasmania Executive Officer Ms Glynis Flower also commented on EGM distribution in Tasmania.

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<sup>45</sup> Op.Cit. Ms Allyson Smith, p. 31

<sup>46</sup> Op.Cit. Ms Janine O'Neill, p. 16

<sup>47</sup> Written submission, Holyoake

*.....there are too many easily accessible poker machines in this state and that these should be reduced in number and confined to casinos through a transition plan for the gambling industry. Women's Health Tasmania cannot support an activity in which private businesses and government profit from machines deliberately designed to addict people, potentially causing a great deal of financial suffering which impacts on both their physical and mental health, particularly when a large proportion of up to 40 per cent of the profits government and industry receive come from people who are harmed by poker machines. The State Government's support for gambling contradicts many of the other government goals and priorities such as child safety, family violence and suicide. It is our view that the cost to individuals and the community far outweighs the money collected by state government.*<sup>48</sup>

102. Executive Officer of Neighbourhood Houses Tasmania, Mr John Hooper, noted his concerns in relation to EGM placement.

*I am just sick of hearing the stories from communities about it, as are they. It is a bit about balancing the economic and social cost to Tasmania and saying that my right to a flutter on the pokies overwhelms that child growing up without a father. Sorry to be emotive, but in the end some of these choices come down to that, and particularly because they have been deliberately placed in our communities in disadvantaged areas. There is science in that as well as the addiction, and we're not very happy about it.*<sup>49</sup>

103. Mr Jonathan Bedloe, Development Officer with the Risdon Vale Neighbourhood House made similar observations.

*The amount of money lost to local communities, often already disadvantaged areas, is unacceptable and equates to significant local and economic loss. Money not spent on pokies would still be available for spending in the local community - for example, through their local IGA or to spend on meals at the local pub or to join the local gym or participate in other activities.*

and

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<sup>48</sup> Op.Cit. Ms Glynis Flower, p. 9

<sup>49</sup> Op.Cit. Mr John Hooper, p.56

*....our community development model of working gives us a powerful insight into the day-to-day issues experienced by people in local communities. Our communities don't want pokies in local pubs and clubs. At this important opportunity, the Government is well placed to lead a significant change in Tasmania, and Australia. Will Tasmania continue to be hostage to the interests of a small group of business people or will we make policy decisions based on the best interests of the whole community?*<sup>50</sup>

104. Mission Australia State Director Mr Noel Mundy explained his organisation's position further at a hearing.

*Mission Australia supports the recommendations of the Community Voice on Pokies Reform coalition: removing poker machines from hotels and clubs; not increasing the number of poker machines in casinos; to impose on machines in casinos a maximum \$1 bet limit; and a system that requires people to set an enforceable limit on their losses. Further, for it to be mandatory for staff to intervene where customers may be experiencing harm from poker machines. Continued counselling and other support services for those harmed by gambling and the final recommendation support hotels and clubs that currently have poker machines to transition to their business model..... Mission Australia knows from our service experience that those who are problem gamblers are being exposed to those machines regularly and not only experiencing financial crisis but also a range of other concerns including relationship breakdown, homelessness and depression. It is often used by vulnerable people as a coping strategy for dealing with problems and distress and can cause many disruptions in their lives including psychological, physical, spiritual, social and vocational problems.*<sup>51</sup>

105. Similar to some of the other counselling support services in Tasmania, Relationships Australia confirmed the organisation provided counselling in a range of areas across the State and that one of the services provided was 'Gamblers Help'. It noted that under the Gamblers Help program, the organisation had delivered counselling services to 147 individuals over

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<sup>50</sup> Op.Cit. Mr Jonathan Bedloe, p. 49-56lo

<sup>51</sup> Op.Cit. Mr Noel Munday, p.57-58



626 sessions. Like many other counselling services, Relationships Australia confirmed that gambling problems were usually co-existing with other issues and that the impact on the individuals, their families and communities was significant and supported EGMs being limited to casinos in the future.

### **The case for EGMs to remain in Communities**

106. Although the majority of evidence received under this term of reference, raised community objections to EGMs being located in hotels and clubs in local communities, there were some submissions and evidence received that highlighted the positive impact that EGMs had brought to local communities.
107. Propositions supporting EGMs remaining in communities were generally highlighted in the benefit of the hotel or club being in the local community and the view that EGM revenue was essential for the ongoing viability of these establishments and the level of services being provided. The benefits of the current higher concentrations of EGMs in certain urban communities was less clear.
108. The Dixon Group commented that they did not believe the majority of the community opposed EGMs and that community participation in forums, such as one organised by Glenorchy City Council had resulted in very limited community interest.

**Ms Dawkins** – *How do you respond to the community voice on pokies reform? That is 42 organisations – churches, Anglicare, TasCOSS, local government organisations – how do you respond to that kind of communications they have been making, representations around removal of poker machines from pubs and clubs?*

**Mr Peter Dixon** – *It is interesting. We come from a broad business background. Most industries have issues – live cattle, salmon, forestry, on and on it goes. You are always going to get a group that say, 'No, look, please stop now; this is just killing everybody.' One has to take a balanced view. If you don't take a balanced view it falls over. It is all right to say 'Look, please stop it. Please stop it'. If you take a sensible and rational view and you talk about the anti-brigade, we were coming down here a few months ago on different things and I was*

*listening to the radio and there was all this talk at Glenorchy. They had that public forum and there was a chance for everybody to voice their anger. How many people were there, 12 or 14. Most of the people in the community are not worried about poker machines. The ones who are not worried about it, they don't write in. It is always the agitators that do.*<sup>52</sup>

109. The Dixon Group also noted that the average spend on EGMs per capita and the percentage of gamblers categorised as having a problem was lower in Tasmania than in other States. In addition, they argued that decisions on EGM placement should appropriately be based on demand and that in any event, revenue from EGMs was falling over time.<sup>53</sup>
110. The Tourism Industry Council of Tasmania highlighted the importance of the services other than gaming provided by local venues that had EGMS, particularly in regional areas, including entertainment and meal services, and the 'holistic business structure' of the venues.<sup>54</sup>

*We recognise that electronic gaming machines form the business model of around 30 percent of our hotel accredited operators. Of the hotels that have machines, about 30 of them are tourism accredited operators so there is a big crossover directly, but also indirectly because in many cases, particularly in regional parts of the state, the gaming venue is the predominant evening venue. In many cases they are the major investor at the moment in most towns in their visitor economies. If we think about places off the beaten track, the places that are not traditionally tourism hotspots – such as Exeter, George Town and the like – the major evening venue is often the one pub that has the gaming machines and the gaming licence. There is a clear crossover between what we describe as the pure tourism industry, the venues that support the visitor economies of local towns, and the operators who have significant investments and undertakings within the gaming industry. We rationalise that down by saying it is undeniable that any significant adjustment in the regulations or the structure of the gaming industry around EGMs will have a direct and*

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<sup>52</sup> Op.Cit. Mr Peter Dixon, p. 36

<sup>53</sup> Written submission, The Dixon Group

<sup>54</sup> Written submission, Tourism Industry Council of Tasmania

*immediate impact on those businesses and therefore the broader visitor economy, particularly regional towns.*<sup>55</sup>

111. The Tasmanian Hospitality Association (THA) also commented on the contribution of its members to communities in Tasmania. General Manager Mr Steve Old explained the contribution that hotels and clubs with EGMs made to regional communities,

*One of the things gaming has brought to the regional areas especially is regional employment and a lot of investment back into our regional areas such as accommodation venues, allowing us to maintain restaurants and food offerings a lot more than we did. With the forest industry in some of the regional areas now decimated which has cost a lot of regions a lot of jobs, the one thing we can't have is hospitality dying in some of those areas. Gaming forms very much an integral part of the entertainment those venues offer. In regional areas the pub is very much the community centre or meeting place for a lot of people in these municipalities. They are also the sponsors of a lot of the sporting teams, community groups and the like and without gaming, many of those venues would not only lose staff but obviously lose the support they give to sporting teams and clubs.*<sup>56</sup>

112. Mr Greg Farrell from the Federal Group commented on the limited probability of winning on EGMs in the context of it being a form of entertainment.

*People who play gaming machines, by and large, are investing in it, like investing in time. Most people are aware of the \$20, \$30 or \$50 that they are taking to that session. They may win, and if they win, that is great. The majority of people are playing with an expectation that they are not going to win – they are not going to make hundreds of dollars in winnings and make a jackpot. They are going to have an enjoyable time at which they are going to meet their friends and have a coffee.*<sup>57</sup>

113. Clubs Australia noted in its submission that although the number of clubs in Tasmania that operated EGMs was low (10), the revenue generated from EGM operations was reinvested in the facilities and services provided by the club or the revenue donated for charitable purposes. It also

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<sup>55</sup> Op.Cit. p.83

<sup>56</sup> Op.Cit. Mr Steve Old, 8 February 2017, p.69

<sup>57</sup> Op.Cit. Mr Greg Farrell, p. 59-60

highlighted the important role that clubs provide in providing public places for people to socialise at minimal cost, which was especially important for elderly people in the community.<sup>58</sup>

114. The Federal Group provided information on the economic contribution it made in Tasmania, including its hotel operations under Vantage Group in a report completed by Deloitte Access Economics.

*In summary, the Federal Group's businesses and people are representative of the rich social fabric of the Tasmanian community. There is no denying we are an important contributor to the local community. A recent Deloitte Access Economics report found the Federal Group contributed more than \$343 million to the Tasmanian economy during the last financial year.*<sup>59</sup>

115. The report also included information on the social contribution that Federal made across a range of sectors including the arts, education, charity and social support, sport and other projects, which totalled over \$1.8 million in the 2015-16 financial year.<sup>60</sup>

### **Community experiences in other Jurisdictions**

116. As required by the Terms of Reference, the Committee met with a number of interstate stakeholders to discuss gaming in other jurisdictions. As part of this process, information was received on community attitudes to gaming in local communities operating models that were used.
117. Mr Mark Henley, Manager of Advocacy and Communications from Uniting Communities in South Australia provided an explanation of the difference between a recreational gambler and a problem gambler from his experience:

*The recreational pokies player is having a drink, catching up with their mates, watching the footy, putting a few bucks through the pokies. That is the recreational pattern. The problem gambling pattern is, 'I am here, this is my machine, get out of my way, I am in the zone and I will just put money in'. Because these are electronic devices, it is easy*

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<sup>58</sup> Written submission, Clubs Australia, 9 December 2016

<sup>59</sup> Op.Cit. p.55-56

<sup>60</sup> Written submission, Federal Group, 9 December 2016

*to identify anybody who has been on a machine. The venues should know exactly how long any patron has been on any machine. It is easy to identify. It is easy to approach a customer if your attitude is one of customer service<sup>61</sup>*

118. Mr Brad Woods, CEO of the Australian Hotels Association of Western Australia was queried about the possible benefits in the State if EGMs were able to be operated in regional hotels and clubs.

**Ms RATTRAY** - *About tourism, Brad. Do you think that not having poker machines in the rural centres like Broome has had a detrimental effect on WA tourism?*

**Mr WOODS** - *It does, because it means hotels and operations in regional Western Australia do have not access to the income or capital to invest to the same degree as those on the east coast.*

*We still have very good product and a good level of investment in our regional hotels. Some areas are more difficult than others, particularly in the country towns that just do not have access to the same level of economic activity. Places like Broome probably do well because they are iconic tourism destinations, but lots of other little places in and around and between that could probably offer a more attractive tourism product and service. I think about Freycinet or Strahan, or some of the other places in Tasmania that have been developed extremely well over time. There is no doubt poker machines or the gaming revenues have assisted in the investment of capital - the quality of hotels in terms of upgrades, refurbishment and redevelopment. That income obviously means you can go to the bank and borrow against that income. We have not had that opportunity.*

*We have a very good product in the context of what we offer and the access to revenue capital. I do not doubt it would probably be a lot more lucrative in terms of having gaming machines in those hotels. That would mean employment and mean greater capital investment. Does it mean tourists keep away because we do not have gaming machines? No, I do not think tourists travel to play gaming. They are an additional piece of entertainment on offer whilst the tourist is in*

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<sup>61</sup> Hansard transcript, Mr Mark Henley, 25 July 2017, p.5

*those venues. What the tourist may miss out on is the additional capital investment in a hotel or a property that is not able to be undertaken because it does not have that revenue stream or access to borrowed capital. Therefore, the quality of the competitive product between, say, Queensland or Tassie and Western Australia may be comparatively different because we just do not have that potential level of investment...*<sup>62</sup>

119. The Committee Chair asked a number of witnesses about how they felt with regards EGMs being confined to casinos and not in hotels and clubs. Mr Michael Connolly, Executive Director, Department of Racing, Gaming and Liquor in Western Australia was asked his opinion by the Chair and expressed a private view on the reason why his State had the lowest rate of problem gambling in the country.

***Mr CONNOLLY** - My personal view? I think it is a good thing. I really do. I do not think the community misses out on too much. There is a significant downside that you would be aware of, with the incidence of problem gambling. Western Australia has the lowest incidence of problem gambling for a reason. There is one destination. It is destination gambling. You have to make a decision to go to Crown Perth if you want to play gaming machines.*<sup>63</sup>

120. Ms Bev Jowles, Executive Officer with the Financial Councillors Association of Western Australia also commented on the probable link between EGMs being limited to the Crown Casino and the lower rates of reported gambling problems.

*From a financial counselling perspective, as I said we manage the National Debt Helpline for WA, which is a national 1800 number. We know that our data in terms of gambling is much lower than other states and we attribute that to not having poker machines in other venues. We get very few referrals directly with gambling issues, which is good news. However, we recognise what others have said: people are often very reluctant to disclose that as the presenting issue. They may present with a debt issue and then once we look at their income, bank statements and so on, we see that gambling could be a problem,*

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<sup>62</sup> Op.Cit. Mr Brad Woods, p.16

<sup>63</sup> Op.Cit. Mr Michael Connolly, p.22

*but it is not often a thing they ring the helpline for. In our experience they ring to try to get out of other debt.*

*I agree with what others also said - we are starting to see a steady increase, particularly among young men, in using the online gambling platform. We are starting to hear stories of people using payday lending to borrow money to gamble. That is of increasing concern for us because payday lending is quite predatory and deliberately targets quite vulnerable people. We know just by its advertising market that sports betting is looking at young men. That is a real concern for us because young men often don't know what they don't know, and that is concerning in terms of how that becomes a problem for them.<sup>64</sup>*

121. Associate Professor Samantha Thomas from Deakin University also commented on the gambling trends of young men.

*We know also that for young men, for example, young men and kids - and we do a lot of research in this area around the normalisation of betting and betting products for young people. We certainly know that for the next generation of kids coming through, that they are highly exposed to marketing and promotions for online betting companies primarily during sport. We know that 75 per cent of children now think that gambling is a normal or common part of sport. That is certainly a concern for us. They can also name gambling bookmaker brands and are able to tell us the specific deals and promotions that they see when they are sitting down on a Saturday afternoon to watch their favourite footy team play.<sup>65</sup>*

122. Mr Peter Hoult provided his observation of whether there was a trend from EGM usage to online gaming.

*The evidence on gaming machines is probably to the contrary, that people who are addicted to gaming machines don't do online gambling as a substitution. It's a different kind of addiction to the machine environment.<sup>66</sup>*

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<sup>64</sup> Op.Cit. Ms Bev Jowles, p.32

<sup>65</sup> Op.Cit. Associate Professor Samantha Thomas, p.10

<sup>66</sup> Op. Cit. Mr Peter Hoult, p.42

123. Gaming Technologies Association Chief Executive Officer Mr Ross Ferrar was asked about the trend away from EGMs to other forms of betting.

**Ms DAWKINS** - *We just heard from Clubs Australia who were saying there is a trajectory down for poker machines, it isn't the way that they are programmed now and what they look like. They were talking more about a melding of poker machines and video gaming machines, for example. Do you see that as the future for poker machines in Australia?*

**Mr FERRAR** - *I certainly don't not see it as the future. When poker machines were first implemented in Tasmania's clubs and pubs in 1995, it was a very different environment than what we have now. Not many of us, if any of us, had smartphones or tablets; virtually none of us were gambling online. One possible explanation for only 3.3 to 3.8 million people using poker machines in Australia a year is that you can bet online on poker machines and you do not have to be in a venue. That is one possible explanation. The level of gambling on sports betting now, compared to 1995, is magnitudinally greater. The entertainment options to people now, compared to 1995, are far greater.*

124. Similar comments were made during the Hobart hearings by Associate Professor Samantha Thomas from Deakin University.

*We know also that for young men, for example, young men and kids - and we do a lot of research in this area around the normalisation of betting and betting products for young people. We certainly know that for the next generation of kids coming through, that they are highly exposed to marketing and promotions for online betting companies primarily during sport. We know that 75 per cent of children now think that gambling is a normal or common part of sport. That is certainly a concern for us. They can also name gambling bookmaker brands and are able to tell us the specific deals and promotions that they see when they are sitting down on a Saturday afternoon to watch their favourite footy team play.*

*There is no suggestion or evidence that I have seen that would show that people who currently play poker machines would transition to another form of gambling. I would urge you to seek the evidence on*



*that to see if there are any conclusive studies that are independent of the gambling industry that are able to show that.*<sup>67</sup>

125. Mr Chris Twomey, Leader, Research and Development from the Financial Counsellors Association of Western Australia and Ms Jowles both confirmed that unlike other States, clubs and associations were generally able to continue to operate successfully in the absence of EGM revenue.

**Mr ARMSTRONG** - *Those venues will tell you the amount of money they put back into the community, supporting sporting clubs or whatever it may be, is a significant amount.*

**Mr TWOMEY** - *What is interesting is we still have social venues and we still have sporting clubs here without the pokies in them. They still manage to get in enough resources, get enough membership and they tend to be -*

**Ms JOWLES** - *There is a very high participation rate.*

**Mr TWOMEY** - *Yes, there is a very high participation rate and the type of activity within them is different. They will do things such as renting out their venues to have other kind of events there and so on.*

**Mr ARMSTRONG** - *They put money back into these clubs, they have told us. We are looking at two different areas of Australia.*

**Ms JOWLES** - *I suppose the difference is that we have Lotterywest in WA, which offers that assistance. Many charitable groups, sporting and recreational groups, hobby groups, anyone with a not-for-profit status can apply to Lotterywest in WA for funding and that is quite unusual. They are very supportive of communities. That is happening, but it is happening through the vehicle of Lotterywest. It is more controlled; it is done on a fair and equitable system. Lotterywest manage that on behalf of the state government. They are quasi-government, but they sit independently. That giving back already happens in WA. People are aware that a portion of their money comes back to the community when they are gambling through Lotterywest*<sup>68</sup>

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<sup>67</sup> Op.Cit. Associate Professor Samantha Thomas, p.10

<sup>68</sup> Op.Cit. Mr Chris Twomey and Ms Bev Jowles, p.35-36

126. Victorian Primary Care Partnerships Advisor Ms Susan Rennie provided a perspective on the community experience with EGMs in Melbourne.

*Partly because the industry has placed most poker machines in those areas. Certainly in Melbourne that stands out time and time again. You look at where the poker machines are, they are out in Dandenong, over in the west, in pockets in the outer northern suburbs. They are not placing poker machines in Hawthorn, Ethan or in the most advantaged suburbs. In some of those communities under stress, there are lower levels of social capital and perhaps some issues around isolation. Poker machines may be appealing to some people for whom English is not the first language. You can get out of the house, feel safe in the venue and do not need English to participate. It is the placement of machines in those locations.*

And

*...this is an enormous problem in health promotion whether being sure about what it is that has actually prevented harm and how you measure that.*

*Having done this work for nine years, I am increasingly of the opinion if we are serious about reducing harm, we need to go to the source of the harm. The source of the harm is poker machines. If we could make that machine safer, that would be the best way to reduce harm. There is no number of community development initiatives or education sessions going to create a measureable impact when the driver of harm, is people living in communities where they are over exposed to machines.<sup>69</sup>*

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<sup>69</sup> Op. Cit. Ms Susan Rennie, p. 19-21

TERM OF REFERENCE B - Review of the findings of the Social and Economic Impact Studies conducted for Tasmania.

127. Gaming can deliver a range of social and economic benefits for the Tasmanian community but can also have a detrimental impact for certain people in the community in a similar way to other legal activities that can cause addiction.
128. The assessment of this term of reference has required the Committee to carefully take into account the positives and negatives of the industry in a balanced and considered manner.
129. The following assessment draws on several submissions that have presented perspectives on the benefits and costs of gaming generally. Base data to inform the reporting of this term of reference has been drawn from the Statistics from the Social and Economic Impact Studies (SEIS) that have been conducted for Tasmania since 2008 as a requirement of the *Gaming Control Act 1993*.<sup>70</sup>

**Impact Evaluation**

130. The *Gaming Control Act 1993* requires an independent review of the social and economic impact of gambling in Tasmania to be conducted every three years.
131. The first review was undertaken in 1994, titled '*Extent and Impact of Gambling in Tasmania with Particular Reference to Problem Gambling*'. Three subsequent reviews, published under the same title, were undertaken in 1997, 2001 and 2006.
132. In 2008, the first report using a new impact assessment approach was prepared. It was published under the title: 'Social and Economic Impact Study into Gambling in Tasmania' and referred to as an SEIS. Two subsequent reports have been published in this series – in 2011 and most recently in 2015.

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<sup>70</sup> Prior to 2008, studies on the social and economic impact of gambling in Tasmania were undertaken by the Australian Institute for Gambling Research and Roy Morgan Research in 1994, 1997, 2001 and 2006

133. The SEIS identifies low risk, moderate risk, problem gamblers and non-problem gamblers using the Problem Gambling Severity Index (PGSI) of the Canadian Problem Gambling Index (CPGI) (developed by Ferris and Wynne, 2001).
134. Individuals are classified into one of the four gambling categories based on their responses to a set of questions. The Committee noted that identical questions were asked in the 2011 and 2013 surveys (the results of the 2013 survey were published in the 2015 SEIS report).
135. A number of matters were presented to the Inquiry relating to the SEIS process. The three main issues identified, related to
- content of the SEIS - in terms of the evaluation approach and its rigour,
  - policy-relevance of the study for informing decision making about gaming and its impact on the Tasmanian community; and
  - the frequency with which the study is undertaken.

#### **Evaluation approach and rigour**

136. A submission by former Chair of the Liquor Licensing and Gaming Commission Mr Peter Hoult suggested that the number of people with gambling problems was almost certainly underestimated by the SEIS report, both because of the research methodologies used and the nature of the problem(s) that the respondents were questioned about (that is, not picking up the true extent of anti-social behaviour).
137. Synergies Economic Consulting questioned past SEIS studies, as not having assessed the economic contribution of the gaming industry without adequately considering the 'counterfactual' scenario – that is, if there were reduced levels of gambling in Tasmania (for example due to EGMs restricted to casinos), the discretionary expenditure on gambling now would occur elsewhere in the economy, providing an alternative range of benefits.
138. In public hearings, the Deputy Secretary of the Revenue, Gaming and Licensing Division from the Tasmanian Department of Treasury and Finance Mr Jonathan Root stated that;

*It is a very thorough study. It is a study that gives us some longitudinal insight into what is happening. It is not a perfect study, however these sorts of studies are very expensive to run.....The prevalence component of it is useful. I would say we haven't seen a lot of variation either longitudinally or interjurisdictionally in that information.* <sup>71</sup>

139. In response to a question from the Committee about whether there is a perfect model, Mr Root responded by saying:

*I don't think there is a perfect model. Talking to my peers in other jurisdictions, gaming research is a constant topic of conversation.*<sup>72</sup>

140. Mr Root also pointed to the value of maintaining some flexibility in examining particular social aspects of the impact of gambling as part of the SEIS process:

*One of the strengths of the SEIS has been that there have been components of the study devoted to particular areas of interest. In the last study some effort was put into understanding how the mandatory code was tracking and the TLGC is reviewing the mandatory code this year and that information is very useful input into that process. Previously there was a component of the study that looked into gaming and criminal sentencing, so the flexibility of the study is useful.*<sup>73</sup>

141. Associate Professor Samantha Thomas from Deakin University commented on the challenge of assessing prevalence rates of problem gambling.

*Focusing on prevalence rates of problem gambling have not always been helpful in understanding how to address the significant social harms associated with gambling in Australia and in particular with poker machines. Looking, for example, at statistics from the 2014 study of gambling and health in Victoria that study indicated that 36 per cent of those who played pokies in the 12 months prior to the survey experienced some form of harm. Importantly, not all of those were*

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<sup>71</sup> Op.Cit. p. 18

<sup>72</sup> Ibid

<sup>73</sup> Ibid

*classified as problem gamblers, but fell into harm, including the low and moderate risk levels, as well as problem gambling.<sup>74</sup>*

### **Policy relevance**

142. In regard to whether the SEIS had been effective at informing Government policy, Mr Root responded <sup>75</sup>

*The recommendations that came out of an analysis of the first SEIS [i.e. 2008] led to things like a mandatory code, ministerial direction of bet limits and spin rates and cash inputs and so on. There were a number of recommendations implemented. The subsequent studies have led to fewer policy outcomes I think primarily because the frequency of them is such that it has been difficult to implement the recommendations, see them bedded down, make an evaluation of their effectiveness and then move on to recommend further policy outcomes for actions that might be taken.*

### **The Frequency of the SEIS**

143. In regard to frequency, Mr Root stated that there was a trade-off between the level of rigour of the study and how frequently it is done. He pointed out that because the SEIS is funded through the CSL, decisions need to be made about whether it is better to spend more on the SEIS or invest more in other components of the CSL.
144. The Treasurer was asked about the frequency of the reporting period of the SEIS at a hearing.

**Ms RATTRAY** - *My term of reference is the (b) - the review of the findings of the social and economic impact studies conducted for Tasmania. The Liquor and Gaming Commission made representation to the inquiry and suggested that the current three-year time frame for conducting these studies is far too short and suggested, perhaps, five years. What do you think might be an appropriate time? I was sympathetic to their view because three years comes around very quickly. You may have a view of keeping that three-year time frame in place.*

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<sup>74</sup> Op.Cit. Associate Professor Samantha Thomas, p. 2

<sup>75</sup> Ibid

**Mr GUTWEIN** - I believe Peter Hoult was in attendance at one of the first meetings I had with the Liquor and Gaming Commission. This was one of the things they raised with me very early in the piece. Their concern was that three years was too difficult; it tended to be overlapping and a longer period of time should be looked at. That does make some sense.

*I am not sure how you satisfy the community that you are reporting on what is occurring in the industry and what we need to consider in a reasonable time frame. Does the SEIS find, providing the longitudinal study that it does, there is a need for something that can fill the gap if it were to be pushed out to five years? If that makes sense? I think a five-year period is probably more appropriate in regard to the level of information and the robustness of it. Being certain you can satisfy the broader community's need for information is the challenge.*

**Ms RATTRAY** - Would you suggest that is as much around harm minimisation and the projects that sit alongside that, and an opportunity to assess that? That is what the community is more interested in than how much return the state is receiving. As long as we are getting the programs rolled out, that they see community house funding, support for sporting organisations; as long as the community sees that they will not be as concerned about the quantum of money.

**Mr GUTWEIN** - Most of those projects, as with the CSL, are reported on annually. Maybe there is a need to make some of the current mechanisms that already provide advice more visible. According to the experts it appears a longer time frame is something they consider might be of more use. I am not certain whether it is a five-year term. I have no advice before me at the moment in regard to that. I seem to be saying to the committee, these are things that the committee can consider.<sup>76</sup>

145. Mr Peter Hoult was asked about the reporting period.

**Ms COURTNEY** - You comment for the SEIS that extending to a five-year study would be more beneficial than having a three-year cycle; we

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<sup>76</sup> Op.Cit. Mr Peter Gutwein, p. 17-18

*have had similar comments from several people. We also had someone provide evidence yesterday they thought it would be appropriate to get more input into the terms of reference around it. Someone who obviously had intimate knowledge of them. Are you comfortable with the breadth of what the social and economic impact studies address?*

**Mr HOULT** - *You have got to remember that the studies really are looking at the industry as it is, and that is what they were designed to do. When they make assessments of the viability of the industry, whether the industry is an economic plus or negative for the state, they do so within the envelope of the industry constructed by the 1993 Gaming Control Act. A lot of people would like them to ask questions like should we have gaming machines? The Government can do that if they want. They have shown no interest in doing that and might I say the Gaming Commission have no control over the SEIS frequency or its terms of reference. We were merely another stakeholder who got a conversation with the consultants who did it.*

*I think it happens too quickly for anybody to review it and see if there is any changes possible, having negotiations and discussions and then do legislative change and the next one is on you before you know what you are doing by the time it is done. I think it is probably a slight waste of money that maybe could be spent better doing other things to do it that frequently.*

*Then when you are talking about the gaming industry it is not changing that quickly. It is a mature or semi-mature industry in economic terms. Nothing changes particularly quickly and I guess people in this room will tell you they have been saying the same things about this industry for longer than I have been around probably.<sup>77</sup>*

146. Ms Jenny Cranston from the TLGC was queried about the frequency issue.

**Ms RATTRAY** - *At the end of your submission you say the social and economic impact study should not be conducted every three years. You have said you think it is too frequent to allow meaningful consideration of findings and implement potential changes. That must have been something you thought was important, to put in the submission.*

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<sup>77</sup> Op.Cit. Mr Peter Hault, p. 44



**Ms CRANSTON** - I will give you an example. The 2008 SEIS informed the development of the mandatory code. The mandatory code is in the process of being developed, consulted on and along comes the 2011 SEIS when you are in the middle of that important process. Other things are occurring. It is not as if there is a blank space. It is important they are conducted because of the longitudinal data gathered. I think we are having trouble digesting one study and trying to do something meaningful with that, and the next one is coming over the top.

**Ms RATTRAY** - We heard this morning it costs about \$1 million, so they are significant funds and if it is putting pressure on the areas -

**Mr BARRY** - The sort of things it is monitoring do not change overnight. You need that length of time to put measures in place, to have enough time for them to be bedded down and to see the impact before the next study is worthwhile as well.

**Ms RATTRAY** - That is a very good point. I thank you for making it as part of your submission. It is not something I had thought of. We hear all the time we need more reports but we forget about people who are trying to do something meaningful.<sup>78</sup>

147. Ms Jo Flanagan and Ms Kym Goodes from TASCOS also made similar comments,

**Ms COURTNEY** - I note your comments in your submission around the SEIS in terms of getting stakeholder input into the methodology. In evidence that we received last week, people suggested that five years is perhaps not long enough. There is a lot of praise we had last week for the data that we have. It is from a longitudinal point of view. I notice that you do note that. Could you please let me know what you think would be an appropriate timing and whether you have any comments based on the evidence put forward last week that five years is a bit too soon to be able to implement and gauge changes that are made.

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<sup>78</sup> Op.Cit. p.47-48

**Ms FLANAGAN** - I think it is three years. The suggestion that has been coming up is perhaps five. We have had discussions about this at the Community Voice meetings. The view there is it would be acceptable to see it go to five but on certain conditions. There is concern that the social and economic impact studies have not been valued or used enough. If you look at the history of them, there was an enormous amount of agitation when we needed to get to the first one, even though it was legislated that they would happen. We did not get one until the Betfair licence was on the table. It feels they are a fragile beast. We have to protect them. To allow them to go to five presents a risk that they will slide off the table again. We have to protect the longitudinal study. We want to see them used so we would like to see reports on the social and economic impact study developed by the Gaming Commission presented to Parliament so some evidence of how this data is being used and how it is being provided.

**Ms GOODES** - The translation of the outcomes of those reports to actions in policy is really critical. At the moment the reports are produced; they are valued, but there is no direct translation between the findings of those reports and any changes in public policy.<sup>79</sup>

148. Ms Leanne Minshull from The Australia Institute was also asked about the SEIS and its frequency.

**CHAIR** - With the SEIS report in Tasmania, do you have any suggestion how that could be improved for future years? We have had the comment that it is in the legislation as once every three years. I am not saying a general consensus around the board on this, but more than once it has come up that period is probably too short a time frame. On your experience with using SEIS reporting, do you have any suggestions on how it could be improved or what other areas need to be investigated through that process? I think the fourth one is coming out by the end of this year, unfortunately after our report is tabled. Can you comment on how that works across other jurisdictions, Leanne?

**Ms MINSHULL** - I think it depends on what you are looking at. It is not so much a case of how you restructure the SEIS reports in themselves or what the timing is on that. I think there are arguments for and

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<sup>79</sup> Op;Cit. p. 8-9

*against the length of time being, in some cases, too short or too long. You can look at other ways. I am trying to think off the top of my head of some other instances outside the gaming industry. Basically, between those reports coming out you rely more heavily on real-time monitoring.*

*I am thinking now of some of the tracking of mining impacts in remote areas, which have cultural and environmental sensitivities around them - which I know isn't directly analogous to this. That reporting, which comes up periodically, is helped by having ongoing government funded tracking of real-time impacts.*

*In this instance you could have a small body of people, which had on their board, committee or whatever you want to call it, representatives from all views across the gambling spectrum. You could report more regularly than the SEIS and look at emerging trends or problems, particularly when you are looking at something, which has - everyone agrees with this - a social cost. You could have real-time reporting. I am not sure how that would work in reality, but that would be one thing that you could look at.*

*I have seen this type of thing work well in other industries. By setting up some sort of committee system which has a broader representation, the broader community has a lot more faith in it. I think what is happening now with the SEIS reports and gambling in general in Tasmania is that it is very divisive. It falls along old political and industry fault lines. If you are going to continue with the industry, how do you work to make sure that you have a group of people who are looking at the best outcomes, rather than defending their patch, for want of a better word? I would look at the SEIS from a more holistic perspective. One of my goals would be to create a situation where all views were taken into consideration.<sup>80</sup>*

## **Gaming participation and problem gambling trends**

149. It is important to consider some of the detail contained in the SEIS and the trends that it identifies. The most recent SEIS report was published in November 2015, and presents statistics from a 2013 survey of a sample of the Tasmanian population.

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<sup>80</sup> Op.Cit. Ms Leanne Minshull, p. 5-6

### **Gambling participation**

150. The proportion of people participating in gambling in Tasmania has been declining since 2008. While just over six in every 10 people (61.2%) of the adult population report participating in some form of gambling, this is significantly lower than the 71.7% participation rate reported in 2008.
151. Lotteries are the most common form of gambling (43.0% participation rate), with Keno the second most popular (26%), followed by EGMs (18.6%).
152. Participation in gambling by using EGMs has been progressively falling since 2008. In that year, 28.5% of the population played an EGM at least once over the past year. This fell to 20.7% in 2011 and declined further to 18.6% in 2013. This trend is evident regardless of whether the EGMs are located in casinos or in clubs and pubs. For example, in the case of casinos, participation has declined from 13.2% in 2011 to 10.8% in 2013.
153. Some of the decline in EGM participation has been due to people substituting EGM play for other forms of gaming. This has most notably included the trend towards online sports and other betting activities. This could represent an intergenerational change in the preferences of gamers, as younger adults are more attracted to gambling on mobile devices.
154. The extent of any shift is however questionable as noted by Ms Kim Goodes from TASCOS and Associate Professor Samantha Thomas from Deakin University.

**Mr ARMSTRONG** - *We heard last week that the electronic gaming machine market is not growing; it is declining. If we took these out of hotels and clubs, we are being told that then, where it is regulated, there will be more online gaming where you put your credit card in the machines and there is virtually no controls on how much you spend or whatever you do. Do you think that would foster more online gambling, if you took these machines out of clubs and hotels?*

**Ms GOODES** - *Our understanding is that there is no evidence of that.*

**Mr ARMSTRONG** - *Where do you get that understanding from? Last week they told us that the online gambling is growing.*

*A/Prof. THOMAS - This is a point that comes up quite consistently. It is raised by the industry. I certainly have not seen any evidence to show that if poker machines were restricted in the community that people would transfer to online platforms. There are certainly specific types of population groups that use poker machines. For example, we think of older women. I have not seen any evidence to suggest that if older women did not play poker machines that they would suddenly bet online or engage in online gambling.<sup>81</sup>*

155. The Committee noted from the SEIS report that there is a small core of very frequent EGM players. The SEIS finds that 6.0% participate once per week or more, 17.8% play 1 to 3 times per month, while the majority (over 70%) play less than once per month.

### **Incidence of problem gambling**

156. One of the more contentious issues considered by the Committee was the prevalence of gamblers with problems in Tasmania. The evidence received by the Committee ranged from assertions that the problem was substantial to the proposition that the percentage of Tasmanians that fall into this category were below national averages.
157. According to SEIS data, those gamblers categorised as 'problem gamblers' constitute a small proportion of the total population, with just 0.5% of people being in this category and a further 1.8% being categorised as 'moderate risk' gamblers and 3.9% assessed as 'low risk' gamblers.<sup>82</sup>
158. The majority of the population (93.7%) was therefore assessed as being unaffected by gambling, either because they don't gamble (38.8% of the population) or because they are non-problem gamblers. (54.9%)
159. The rate of problem gambling in Tasmania has been assessed as declining over time, with problem gamblers estimated to now represent around 0.5% of the adult population, or around 1970 people in total (down from

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<sup>81</sup> Op.Cit. p.9

<sup>82</sup> The SEIS identifies low risk, moderate risk, problem gamblers and non-problem gamblers using the Problem Gambling Severity Index (PGSI) of the Canadian Problem Gambling Index (CPGI) (developed by Ferris & Wynne, 2001). Individuals were classified into one of the four gambling categories based on their responses to a set of questions. Identical questions were asked in the 2011 and 2013 surveys.

0.7% in 2011).<sup>83</sup> Those classed as being in the 'low risk' category have also declined from 5.2% to 3.9%.

160. The proportion of problem gamblers in Tasmania is similar to that in Queensland (0.48%), but less than the levels observed in some other States such as NSW (0.8%), Victoria (0.81%) and South Australia (0.6%) – see Table

**Table 1 Problem gambling across states**

	<b>Tasmania</b>	<b>Tasmania</b>	<b>NSW</b>	<b>QLD</b>	<b>VIC</b>	<b>SA</b>
<b>Year</b>	<b>2013</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Problem	0.50%	0.70%	0.80%	0.48%	0.81%	0.60%
Moderate risk	1.80%	1.80%	2.90%	1.90%	2.79%	2.50%
Low risk	3.90%	5.30%	8.40%	5.20%	8.91%	7.10%
Non-problem gamblers	54.90%	57.40%	52.80%	66.30%	57.59%	58.60%
	38.80%	34.80%	35.10%	26.20%	29.90%	31.20%

**Source:** Owen, J. The Tasmanian Gaming Environment, Evaluation and Comparison, p.19

161. Across all three categories of Tasmanian gamblers assessed as either having a gambling problem or being 'at risk', the total proportion of the population affected is 6.2%. (or 24,460 people)
162. Based upon the information available to the Committee, people living in low socio-economic areas are twice as likely to be problem gamblers, with 1.1% of gamblers being classified as problem gamblers (as opposed to around 0.5% of the adult population being problem gamblers across the State).<sup>84</sup>
163. These statistics support the proposition put forward in many contributions to this inquiry, that problem gambling disproportionately affects people living in lower socio-economic areas of Tasmania. It is very likely that the social costs of problem gambling are relatively more intense in these areas. Additionally, in low socio-economic areas, 2.5% of people are moderate risk gamblers and 3.3% low risk gamblers. Furthermore, the proportion of non-gamblers was significantly lower in low socio-economic areas.<sup>85</sup>

<sup>83</sup> Although this figure understates the number of people affected by problem gambling (which extends to family members and beyond).

<sup>84</sup> Acil Allen Consulting (2015). Third Social and Economic Impact Study of Gambling in Tasmania. Summary Report, November 2015, p. 10

<sup>85</sup> Acil Allen Consulting (2015), p. 10

164. EGMs are the most popular form of gambling for problem gamblers. The 2015 SEIS results showed that just over 70% of problem gamblers play on EGMs. This compares to just 40% of problem gamblers that participate in horse/greyhound betting and 21% that play casino table games.<sup>86</sup>
165. Mr Peter Hoult suggested that the number of people with gambling problems is almost certainly underestimated.<sup>87</sup> He further suggested that measures of problem gambling understate the true extent of social harm because the percentages of people assessed as 'problem gamblers' are expressed as a proportion of the whole State population. Mr Hoult instead argued that the proportions should be expressed relative to the share of adult population that are regular gamblers.

*On figures provided within the Productivity Commission Report of 2010<sup>88</sup> only about 4% of Australians play the pokies on a weekly or more basis. If we only look at this 'exposed' group of regular players then, according to the PC Report evidence, the proportion being harmed balloons to between 20% to 40%. The question then becomes 'would we allow any other machine to be freely available to any adult to engage with when somewhere between a quarter to a half of those who use them with any regularity suffer significant harm?'<sup>89</sup>*

166. Mr Hoult also advised that the percentages of people assessed as 'problem gamblers' was particularly high in low socio-economic areas because the incidence of problem gambling is greater despite fewer people engaging in gambling.
167. The TLGC supported the information identified from the SEIS and noted that, whilst Tasmania has a relatively low level of problem gamblers, compared to other States, the gambling losses are concentrated among a small proportion of the gambling population. Extrapolating from Productivity Commission findings in 2010 (which reported that problem gamblers account for 40% of gambling losses on EGMs), the TLGC

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<sup>86</sup> Acil Allen Consulting (2014). Third Social and Economic Impact Study of Gambling in Tasmania. Volume 1: Gambling industry trends and impacts, November 2014, p. 33

<sup>87</sup> Submission: Hoult, p. 2

<sup>88</sup> Productivity Commission (2010) *Gambling*, Productivity Commission Inquiry Report, No. 50, 26 February 2010

<sup>89</sup> Op.Cit.

calculates it is likely that over \$70 million of annual player losses in Tasmania are linked to problem gamblers.<sup>90</sup>

## **The social cost of gaming**

168. A key policy challenge for the regulation of the gaming industry is to strike the right balance between providing an enjoyable gaming experience for recreational gamblers, while minimising social harm from problem gambling.

169. Harmful impacts of problem gambling can include:<sup>91</sup>

- work and study – job loss, absenteeism and poor performance;
- personal – stress, depression, suicide and poor health;
- financial – debt, asset losses and bankruptcy;
- legal – theft and imprisonment;
- interpersonal – relationship breakdown and family neglect; and
- communities – loads on charities and the public purse.

170. Holyoake confirmed that it assisted many problem gamblers with gambling addictions and that there was a link between gambling addiction and criminal activity, loss of employment, family breakdown, domestic violence, child neglect and incarceration. Holyoake also noted that many problem gamblers were also afflicted by mental illness, are more likely to smoke or have substance abuse issues and to have poor physical health.

*To answer your question specifically, recently in the US the state of Nevada varied its legislation and regulations to permit the development of skill-based games, which was the phraseology used. The first new models, if you like, of that type of machine are currently being implemented in a number of casinos in Nevada. The jury is out on whether they are appropriate and acceptable to patrons of those venues or not. At this time I think all, but certainly most, Australian jurisdictions would require legislative change to permit skill-based games on poker machines.<sup>92</sup>*

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<sup>90</sup> Tasmanian Liquor and Gaming Commission written submission, p. 1

<sup>91</sup> Acil Allen (2014). Summary Report, p. 12

<sup>92</sup> Op.Cit. Mr Ross Ferrar, p.58



171. Mr Jonathan Bedloe, Development Officer with Men's Resources Tasmania made the following observations.

*....the Victorian study, which I have sighted, shows that 51 per cent of problem gamblers and 20 per cent of moderate-risk gamblers also experience depression, which is equivalent to where in the general community it about 10 per cent. The same then for anxiety, it is 46 per cent for problem gamblers and 17 for moderate risk, relative to about 10 per cent in the everyday population.*

*There is evidence to show that each suicide costs the Australian economy about \$6 million. There is other evidence to show that possibly up to 400 suicides a year in Australia are attributed at least in part to problem gambling. That is from the Productivity Commission report. About five to 10 friends, family and other community members are affected by each individual suicide, and that includes employers and the cost to their business.*

*Research highlighted in an article published in The Conversation, the online magazine, says the police recorded 20 per cent fewer family violence incidents and 30 per cent fewer domestic violence assaults when postcodes with no poker machines were compared with postcodes with at least 75 pokies per 10 000 people. That sort of evidence is very compelling and gives us a good strong base from which to call for the removal of pokies.<sup>93</sup>*

172. The 2011 SEIS report estimated the social costs of problem gambling in Tasmania by applying the findings of a Productivity Commission survey to Tasmania. The report found that problem gambling costs between \$37 million to \$184 million a year, depending on assumptions used (all 2011 dollars).<sup>94</sup>

173. These costs are calculated by considering how many problem gamblers experienced negative social impacts – including financial, productivity and

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<sup>93</sup> Op.Cit. Mr Jonathan Bedlow, p.78

<sup>94</sup> The Allen Consulting Group (2011). Social and Economic Impact Study of Gambling in Tasmania. Volume 1: Gambling industry trends and economic impacts, November 2011, p. 133-136. These costs are also referred to in a discussion paper published by The Australia Institute: "Gambling on the future: Do poker machines represent a net gain or loss to the Tasmanian economy, July 2017"

employment, crime and legal and personal and family impacts – and then assigning a monetary value to those impacts. For example, 6.5% of problem gamblers had seriously considered suicide in the past twelve months, and 1.5% had attempted it.

174. This was assessed as a social cost of \$10 to \$35.7 million. Similarly, 74.5% of partners and 47.8% of parents were adversely affected by their problem gambler partner or child, causing \$17 to \$110.3 million in emotional distress to immediate family and parents and \$3.1 to \$16.8 million in emotional cost of divorce. The key point is that the full social costs of problem gambling far exceed the economic costs.
175. The SEIS report concluded that EGMs are responsible for the majority of these costs – that is, \$30.7 million out of \$37 million (the lower bound cost estimate) and \$153.3 million out of \$184 million in the upper bound estimate. This is said to be because the large majority (83%) of total gambling losses by moderate risk and problem gamblers are made through EGMs.

### **Gaming losses**

176. Across Tasmania, moderate risk gamblers and problem gamblers (together) account for 20.5% of total gambling expenditure. Low risk gamblers account for a further 20.5% respectively. Therefore, in aggregate, 41% of gambling losses are attributable to gamblers that are either adversely affected by gambling, or ‘at risk’ of being affected.<sup>95</sup>
177. Expenditure on gambling in Tasmania is relatively low compared to other jurisdictions. Tasmanians spent \$770 per adult on gambling in 2014. In comparison, per-capita gambling spending in South Australia was \$779 and in West Australia \$772. Tasmanian gambling expenditure is considerably lower than gambling expenditure in Queensland, which is \$979 per adult, New South Wales \$1,431 and Victoria \$1,184. Only South Australia and Western Australia have expenditures similar to those of Tasmania, at \$779 and \$772 per adult, respectively.<sup>96</sup>

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<sup>95</sup> Acil Allen Consulting (2014). Third Social and Economic Impact Study of Gambling in Tasmania. Volume 1: Gambling industry trends and impacts, November 2014, p. 35

<sup>96</sup> Owen, p. 24

178. However, some of the difference in per capita gambling expenditures across the jurisdictions can be explained by differentials in median weekly household income. For example, Tasmanian and South Australian households have significantly lower median incomes than residents in Queensland, New South Wales and Victoria.<sup>97</sup> Therefore when gaming expenditures are expressed as a percentage of disposable income, Tasmania and South Australia have similar gambling levels to the other states. Western Australia is the exception, with the highest median household income in the country (\$1595 per week) but with per adult gambling expenditures that is similar to that of Tasmania. This indicates that gambling expenditure in Western Australia is well below other states when expressed as a percentage of median household income.
179. Spending in Tasmania on both casino and EGM gambling is in decline on a per-capita basis. This is a similar trend to South Australia and Victoria. In contrast, EGM spending is growing in New South Wales and Queensland.<sup>98</sup>
180. Statistics from the Tasmanian Department of Treasury and Finance show that total EGM losses (i.e. gaming revenues) in Tasmania in the 2016-17 financial year were \$182.28 million, with hotels and clubs accounting for the largest share of this at \$110.33 million (60.5%), with the casinos and ferries accounting for \$71.95 million (39.5%).<sup>99</sup>
181. In Tasmania, per capita gambling losses through EGMs is significantly lower than in other states at \$278 per adult, compared to a range of \$554 to \$557 per adult in Victoria, South Australia and Queensland and \$934 per adult in New South Wales.<sup>100</sup>

### **EGM Numbers and Distribution**

182. In the context of the information identified from the SEIS, it is important to consider further information on EGM numbers and distribution across Tasmania. Community views and attitudes to EGM placements in

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<sup>97</sup> ABS 2016 Census data show that median weekly household incomes are \$1486 for NSW, \$1419 for Victoria, \$1402 for Queensland, \$1206 for South Australia and \$1100 for Tasmania

<sup>98</sup> Owen, p. 24

<sup>99</sup> Available at: <http://www.treasury.tas.gov.au/liquor-and-gaming/legislation-and-data/gambling-industry-data/gaming-and-wagering-industry-data> [Accessed 11 August 2017]

<sup>100</sup> Owen, p. 25

Tasmania is considered under term of reference A and should be read in conjunction with this section.

183. There is a total of 286 gambling venues in Tasmania. Of these, 100 have EGMs and 167 have Keno.<sup>101</sup> The *Gaming Control Act 1993* sets limits on EGM numbers in Tasmania. The maximum numbers allowed are:
- 3 680 total in the State;
  - 2 500 total in hotels and clubs;
  - no more than 30 in each hotel; and
  - no more than 40 in each club.
184. The TLGC monitors these limits and has authority to take enforcement action for a breach of the Act. Post 2023, as noted under term of reference C, the Hodgman Government has a policy of reducing the total number of EGMs to 3530 (a reduction of 150 machines).
185. Tasmania currently has 3,560 EGMs. Of these, 1,185 are located in the two casinos, 2,248 are located across 90 hotels and 127 are located in 7 clubs across Tasmania.<sup>102</sup> A further 36 machines are located on the Spirit of Tasmania ferries.
186. Tasmania has a lower number of EGMs per 1,000 adults compared with Australia as a whole, particularly when Western Australian figures are excluded (Table 2). However, the number of casino EGMs per 1,000 adults is considerably higher. This reflects the presence of two casinos in a relatively small population.

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<sup>101</sup> Available at: <http://www.treasury.tas.gov.au/liquor-and-gaming/legislation-and-data/gambling-industry-data/gaming-and-wagering-industry-data> [Accessed 11 August 2017]

<sup>102</sup> Tasmanian Liquor and Gaming Commission, Annual Report 2015-16, p. 14

**Table 2 EGMs in casinos, hotels and clubs, Tasmania and Australia**

		<b>Casinos</b>	<b>Hotels</b>	<b>Clubs</b>	<b>Total</b>
Tasmania	Number of EGMs	1,173	2,180	173	3,526
	Per 1,000 adults	3.0	5.5	0.4	8.9
Australia	Number of EGMs	12,978	70,218	114,392	197,588
	Per 1,000 adults	0.7	4.0	6.5	11.1
Australia less WA <sup>a</sup>	Number of EGMs	10,978	70,218	114,392	195,588
	Per 1,000 adults	0.7	4.4	7.2	12.4

a. Western Australia only has EGMs within Crown Perth casino.

**Source:** Acil Allen (2014). Third Social and Economic Impact Study of Gambling in Tasmania, Volume 1, Gambling industry Trends and Impacts, November 2014, p.

187. Hotel EGM numbers per 1,000 adults are slightly higher (5.5 compared to 4.4). The figures for Tasmanian clubs are significantly less compared to Australian figures, with 0.4 EGMs per 1,000 adults compared to 7.2 for Australia.

188. The distributional impacts of gaming tell more of a story than the aggregate impact across the whole Tasmanian economy and community. For example, it is evident there has been:

- a concentration of EGMs in areas of the state with low socio-economic demographics;
- a redistribution and concentration of wealth to EGM operators from mostly lower socio-economic areas; and
- high adverse social impacts to a relatively small proportion of the population.

189. EGMs are highly concentrated in a number of regions in Tasmania, including Launceston, Glenorchy and Devonport (Table 3). There is a higher density of EGMs per resident in Northern Tasmania, coinciding with a higher proportion of household income being spent on EGMs in those areas relative to the rest of Tasmania. Conversely, the number of EGMs is less concentrated in Southern Tasmania – with corresponding low levels of gaming losses in these areas.

Table 3 Distribution of EGMs and revenues earned

	Number of EGMs	Total Gaming Revenues 2014/15 (\$)	Average Revenue per EGM 2015 (\$)	Number of Venues	Average EGM Revenue per Venue (\$)
Combined Small Municipalities	496	16,411,266	33,087	20	820,563
Burnie	110	7,372,179	67,020	4	1,843,045
Central Coast	135	6,973,091	51,653	5	1,394,618
Clarence	150	9,189,302	61,262	5	1,837,860
Devonport	230	12,097,366	52,597	8	1,512,171
Dorset	45	1,365,410	30,342	3	455,137
George Town	55	1,836,929	33,339	2	918,465
Glenorchy	270	20,113,917	74,496	9	2,234,880
Hobart	169	5,970,544	35,329	7	852,935
Kingsborough	50	1,801,364	36,027	2	900,682
Launceston	336	17,529,006	52,170	13	1,348,385
Northern Midlands	60	1,456,469	24,274	3	485,490
Sorrell	90	2,773,891	30,821	4	693,473
Waratah-Wynyard	110	5,437,605	49,433	4	1,359,401
West Coast	65	1,834,164	28,218	5	366,833
West Tamar	65	2,293,011	35,277	3	764,337

Source: Owen, J. The Tasmanian Gaming Environment, Evaluation and Comparison, p.33

190. The Federal Group challenged the historical methodologies used to map EGMs by municipality, including the losses. It noted that;

*The current location of EGMs in Tasmania is the product of a number of historical factors. Firstly, Tasmania has a high density of casinos for its population – with one at Wrest Point in Sandy Bay and one at the Country Club in Prospect. Both casinos are located in more affluent areas of Hobart and Launceston, and are the largest and second largest gaming venues in terms of the number of EGMs. As EGMs were introduced into hotels and clubs in Tasmania, it made little sense to locate more EGMs in areas already well serviced by Tasmania's two casinos.*

*Secondly, as EGMs were introduced in hotels and clubs from 1997, they were located at existing and licensed hotel venues. There was a process where licensees could express an interest to a Federal Group subsidiary, Network Gaming, to have EGMs located within their venue. These expressions of interest were determined by the location of existing hotels and the level of interest from licensees in having EGMs.*

*The determination about which venues would operate EGMs used a range of factors; including the suitability of the premises.*

*As a result of these processes, EGMs were implemented into about 100 Tasmanian hotels and clubs. One of the features of EGMs in Tasmanian hotels and clubs has been the high level of stability of the venues that operate them. In recent years, there have been very few new EGM venue hotels and clubs.*

*Federal Group notes the work of Anglicare in preparing its “Heatmap” that maps EGM losses by municipality<sup>103</sup>. The map appears to take the total losses (as reported by the Tasmanian Liquor and Gaming Commission in their 2014-15 annual report) on EGMs located in the municipality and then divides the figure by the adults residing in that municipality (from 2011 Australian Bureau of Statistics data). Because for some municipalities the Commission groups the results, the authors have attempted to derive the losses on EGMs located within those municipalities using averages.*

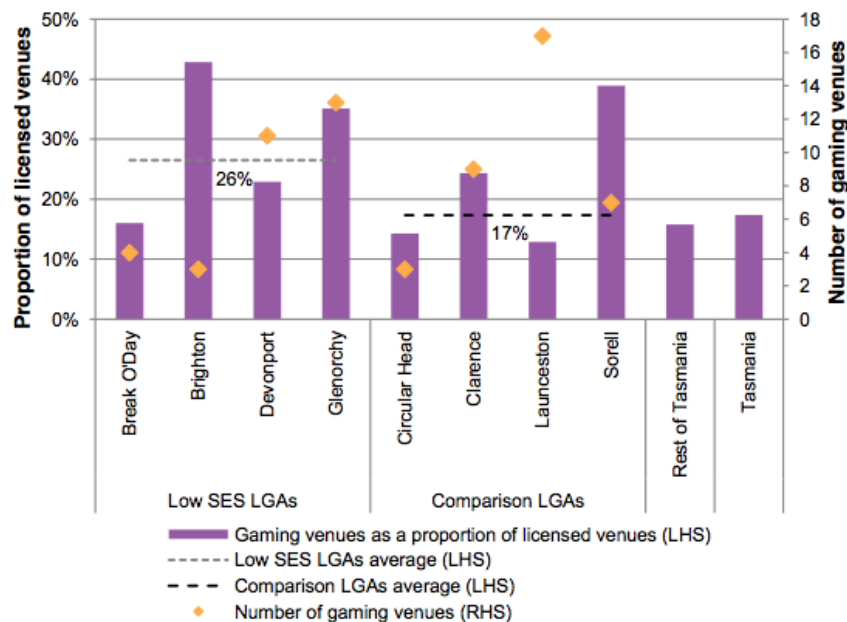
*Apart from some of the issues with using data that is five years old and deriving EGM losses in certain municipalities where it is not reported, there are two major issues with the “Heatmap” that would make the results unreliable at this level.<sup>103</sup>*

191. The 2015 SEIS report shows that the percentage of licensed venues with gaming is higher in low socio-economic status areas (26%), compared to other areas with relatively higher levels of socio-economic status (17%). This finding suggests that when visiting a licensed venue, residents of low socio-economic status areas are more likely to be exposed to gaming.

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<sup>103</sup> Written submission, Federal Group, p. 52

Figure 1 **Proportion of licensed venues with gaming machines, by LGA**



Data source: Acil Allen Consulting (2015) Third Social and Economic Impact Study of Gambling in Tasmania

192. Concerns have been expressed<sup>104</sup> that existing market and regulatory settings for gaming in Tasmania has resulted in a situation where there are more EGMs located in lower socio-economic regions. Analysis of 2011 Census data shows that Tasmanian households with lower incomes spend a larger share of household income on gaming. In addition, as unemployment rises, so does the number of EGMs installed in the local government area.

193. In local government areas with the highest unemployment (Burnie and Georgetown), the number of EGMs per thousand residents is 8 and 6 respectively. In contrast, in the more affluent areas of Hobart, Kingborough and Clarence there is a lower concentration of EGMs per thousand residents at 3, 1 and 3 respectively. This indicates that under current market settings, EGMs may be having negative social consequences by skewing the location of machines to areas where people are least able to afford to lose money through gambling.<sup>105</sup>

<sup>104</sup> Op.Cit. Mr Peter Hault, p. 3; Owen, p. 6

<sup>105</sup> Owen, J. The Tasmanian Gaming Environment, Evaluation and Comparison, p. 6, 34



### **The Economic Contribution of Gaming to Tasmania**

194. As already noted in this chapter, the social harms and risks associated with gaming should appropriately be considered in conjunction with the economic benefits that gaming provides to Tasmania in order to consider the post-2023 arrangements completely.
195. There are various economic benefits attributable to the gaming industry.
- Gambling expenditures provide a source of revenue for casinos, hotels and clubs.
  - For community clubs, revenue from gaming can provide a means of supporting community activities, subsidising the cost of meals and entertainment to patrons, and enabling clubs to upgrade their premises from time to time.
  - Gaming provides a source of employment in the hospitality and tourism industries and potentially underpins the development of tourist attractions that are part-financed through gaming expenditures.
  - It also provides a source of revenue for government via the return from the license issued to Network Gaming and also from gaming taxation.<sup>106</sup>
196. The 2015 SEIS report estimated the contribution of gambling to the Tasmanian economy and found that diverting all Tasmanian gambling expenditure 'offshore' would see reduction of 1.10% and 1.26% in real Gross Domestic Product (GDP) and employment respectively.
197. The Deloitte Access Economics study prepared for Federal Group estimated the economic impact of Federal Group's activities to the Tasmanian economy to be \$245.41 million in direct terms, with a further indirect contribution of \$97.71 million. This gives a total value added to the economy of \$343.12 million, representing 1.3% of the total Tasmanian economy and 1.8% of the non-government sector.
198. In terms of contribution to taxation revenue, Deloitte found that Federal Group was a significant contributor to the Tasmanian Government, paying \$87.4 million in State Government taxes, or 8.5% of all Tasmanian state tax revenue.

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<sup>106</sup> Gambling expenditure (also referred to as player 'losses') represents the amount gambled (turnover) less the amount won by players (winnings).

199. The total expenditure impact of non-accommodation expenditure by interstate and international visitors that stayed at the Federal Group properties was estimated at \$48.4 million. The economic impact of additional time spent in Tasmania by visitors attending a conference at Wrest Point or staying at Saffire Freycinet was estimated to be \$10.4 million in 2015-16.
200. The Mangan Report concluded that expenditure on EGMs did not bring new economic activity to Tasmania but simply replaced existing activity. Furthermore, the model indicated that following a withdrawal of EGMs from clubs or pubs, money currently spent on gaming would be diverted into other sectors of the economy and result in small net expansion in Gross State Product (\$21 million) and employment (183 jobs). The forecast increase in net employment was partly because jobs are created in areas of the economy that are more labour-intensive than hospitality.
201. In the Inquiry Hearings, Professor Mangan elaborated on the report's findings and drew attention to transitional pathways that would be available should EGMs be reduced or withdrawn entirely from hotels and clubs.
202. Professor Mangan advanced the proposition that the hospitality industry would adapt to the new circumstances over time, by differentiating the products they offered. Further, he noted that in the event that the Government introduced a policy to remove EGMs from hotels and clubs, consideration would need to be given to compensating those newer entrants who have recently invested in EGMs and associated facilities.
203. Professor Mangan noted that;

*My model was based on the scenario of taking you take poker machines out of the clubs and hotels. What does that do? I think, because it involves gambling and access gambling, which I estimate is about 30 to 40 per cent of it, that if you take that away, you spend it somewhere else and you spend it based upon the consumption patterns of Tasmanians which the ABS has documented.*

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204. While the activities of Federal Group make a significant economic contribution to the State, it is difficult to ascertain the quantum directly attributable to gambling as distinct from other activities undertaken by Federal.
205. Dr Boyce and Mr Lawrence contend that the economic benefits of gaming may also be overstated to the extent that, if there were no gambling in Tasmania, the discretionary expenditure on gambling now would occur elsewhere in the economy, providing an alternative range of benefits. While it is true that EGMs have become integral to the business models and survival of a large number of hotels and clubs across the state, a policy of limiting EGMs to casinos (for example) may simply redirect discretionary expenditure into other recreational pursuits. This was acknowledged by Dr Boyce, who submitted that there would be a range of economic benefits from removing EGMs including, among other things, redirection of gaming expenditure elsewhere. Similarly, Mr Lawrence noted that, if not spent on gaming, money will be spent elsewhere with consequent different employment effects.
206. A recent report by Professor John Mangan that was commissioned for Anglicare used economic modelling to examine what would happen to net employment if EGMs were withdrawn from hotels and clubs. Professor Mangan's modelling took account of how current spending on EGMs would be diverted to other 'consumption', such as alternative recreational pursuits. The study also examined how people currently employed in the gaming industry would find new employment elsewhere.
207. The range of views presented by these studies highlight the complexity of estimating the overall economic impact of gaming on the Tasmanian economy, particularly once alternative spending is taken into account.

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<sup>107</sup> Hansard Transcript, Professor John Mangan, 11 August 2017, p. 37

208. Mr Peter Hoult made observations that supported a transitional arrangement having limited impact on the economy.

*100 per cent of the money spent on EGMs in Tasmania - or so close to 100 per cent it's irrelevant - is Tasmanian money, so in the broader economic sense of your statement I don't believe it would have a dramatic effect at all because the money would still very probably expended locally on other things.<sup>108</sup>*

209. Mr James Boyce similarly argued that the relatively low taxation revenue from gaming limits the budgetary impact of removing EGMs in Tasmania. Further, he submitted that there would be a range of economic benefits from doing so, including a redirection of gaming expenditure elsewhere, with a consequent boost to small businesses and employment and budgetary relief from a significant reduction in problem gambling.<sup>109</sup>
210. Mr Peter Hoult advanced the argument that a policy of limiting EGMs to casinos may simply redirect discretionary expenditure into other recreational pursuits.<sup>110</sup>
211. Similarly, The Australia Institute considered that there was an opportunity for a phase out of EGMs with minimal impact on the Tasmanian economy. It argued that this was because of Tasmania's total state revenue derived from gambling taxation being less than most other States.
212. The Australia Institute also argued that the impact on employment would be minimal with a current boom in tourism and an identified shortage of workers in the tourism industry further assisting in relocating any workers displaced through the transition.

### **Gaming Expenditure**

213. In 2015-16, Tasmanians made losses of \$278 million on all forms of gambling (Figure 2). The majority of this expenditure was on EGMs, which amounted to \$191 million (69%). Expenditures made on lotteries are the next largest at \$40 million (15%), closely followed by Keno at \$36 million

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<sup>108</sup> Op.Cit. Mr Peter Hoult, p. 43

<sup>109</sup> Dr James Boyce, written submission, p. 2-3

<sup>110</sup> Written submission, Mr Peter Hoult, p. 2

(13%). Table gaming at casinos accounts for only a small proportion of total losses (\$10 million, or 4%).

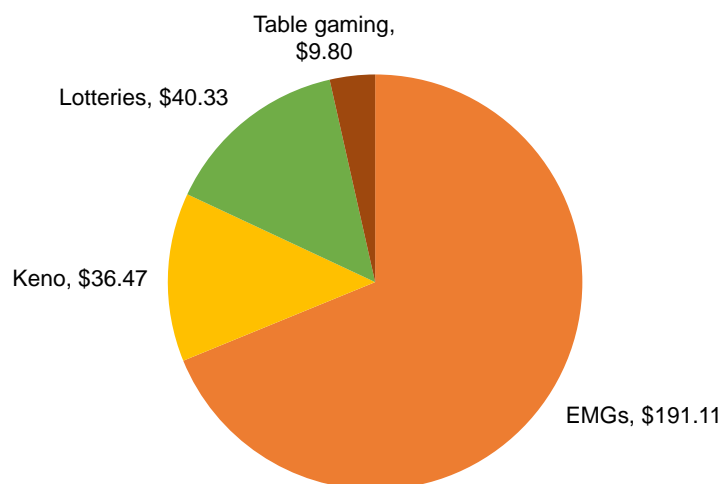
214. The \$191 million expenditure on EGMS can be further broken down by venue. EGMs in casinos account for \$77 million, while hotels and clubs account for \$114 million.

215. These player losses become revenues to venue operators, Network Gaming and the State Government (the latter which accrues tax from the gaming expenditures).

### **Tax Revenue to Government**

216. A total of \$85 million in gambling taxation was collected in Tasmania in 2015-16 financial year. The breakdown of tax revenues from each form of gambling is shown in Figure 2. EGM's provide the largest source of gaming tax revenue to government, at \$49 million (58%). This is followed by lotteries tax at \$30 million (36%). Much smaller shares of taxation receipts come from the other forms of gambling.

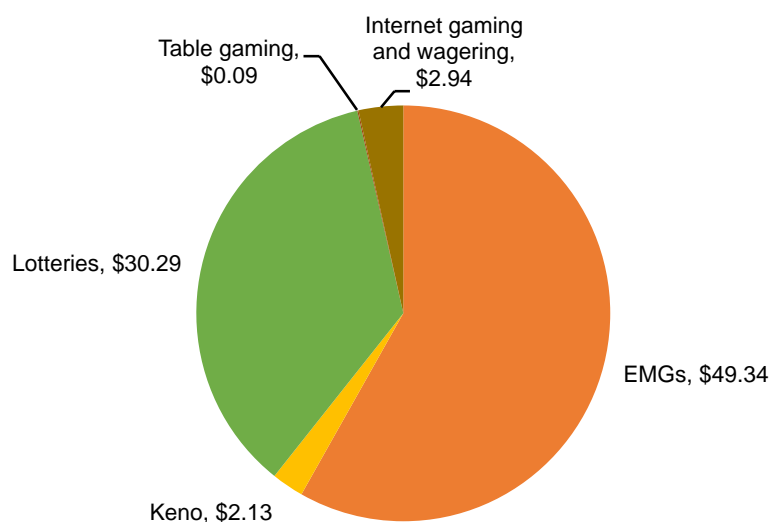
**Figure 2** Tasmanian gaming expenditure, 2015-16 (\$ millions)



Data source: Tasmanian Liquor and Gaming Commission Annual Report, 2015-16

217. In terms of tax contributions by venue type, gaming conducted in hotels and clubs accounts for \$32 million (or 37%) of the \$85 million total tax receipts. By comparison, casinos account for \$20 million (or 24%).
218. In addition to taxes, the Government received \$11.3 million in gaming fees and penalties, the majority of which came from casino licence fees (\$3.6 million) and the annual totalizator wagering levy (\$7.1 million).
219. Submissions from The Australia Institute and Dr James Boyce highlighted that a phase out of EGMs would have minimal impact on the Tasmanian economy given the relatively low reliance on gambling taxation compared to other jurisdictions, limiting budgetary impacts.<sup>111</sup>
220. While the tax receipts presented above are not insignificant, the total value of tax collected (\$85 million) is relatively small when compared to the state's total budget revenue of \$5 billion (that is, gambling tax comprises just 2%).

**Figure 3** Tasmanian gambling tax receipts, 2015-16 (\$ millions)



Data source: Tasmanian Liquor and Gaming Commission Annual Report, 2015-16

<sup>111</sup> Written Submission, The Australia Institute, p. 19 and Dr James Boyce, p. 2-3

### **Employment in the Sector**

221. The 2015 SEIS found that, in 2013, there were approximately 4,061 people employed in Tasmania's gambling industry, with the majority (94%) employed in gaming, casinos and race wagering. Of the 4,061, just over three quarters (78% or 3,170) are estimated to be employed in EGMs and keno gambling. The jobs are broken down as follows:

- 2,778 jobs at licensed premises;
- 43 gaming operators; and
- 349 technicians.

222. Based on these estimates, the SEIS report concluded that Tasmania's gambling industry employs about 2% of the workforce.

223. A report by The Australia Institute questioned the SEIS figures and suggested they overstate the true level of employment in the gaming sector. The concerns raised by the Institute are twofold.

- Firstly, the job numbers are not full time positions. The Australia Institute referred to research by Acil Allen Consulting as part of the 2015 SEIS, which finds that only 19% of employees at licensed premises work full time;
- Secondly, for people working in hospitality at licensed premises it is difficult to establish what proportion are directly involved in managing gaming rooms. Estimates in the 2005 SEIS report indicate that only 19% of staff has a direct role in providing gaming services. Another study, by PWC<sup>112</sup>, suggests that EGMs play a more significant role in supporting employment in the hospitality industry. It finds that Tasmanian hotels with EGMs employ an average of 21 FTEs but those without EGMs employ just 12.2 FTE.

224. A report prepared by Deloitte Access Economics for the Federal Group estimated the employment provided by its organisation. The company employs nearly 1,900 Tasmanians (approximately 1,325 FTEs) and provides indirect employment for a further 1,012 people (FTE). In total, it

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<sup>112</sup> PWC (2009) "More than a drink and a flutter", a report prepared by PWC for the Australian Hotels Association

is estimated that Federal Group supports 1% of all Tasmanian employment and 1.2% of private sector employment.

225. A share of these jobs would be involved in gaming, but it is difficult to establish what proportion of its employees work solely on work roles associated with gambling related activities because Federal Group's business activities include resorts, hotels and leisure activities that do not have gaming and therefore there is a lack of clarity on direct employment figures as a result. This is similar to the hotels and clubs operations.
226. Ms Meg Webb from Anglicare suggested that gaming industry figures were overstated.

*We believe the industry has grossly overstated its claims about employment and gambling and gaming. Dixon's told you employment for gaming was just 7 per cent of player losses. On his Tasfintalk blog, John Lawrence made calculations based on that figure and found this equates to approximately 200 full-time equivalent jobs across the state in all hotels and clubs. That means, if we think about it as an average, that about two full-time equivalent positions are directly involved in gaming per venue.<sup>113</sup>*

227. Ms Meg Webb further commented.

*Removing poker machines from hotels and clubs will require industry transition but it is important to appreciate the context of that transition. Poker machines were only introduced to hotels and clubs 20 years ago. There are more than 37, 000 small businesses in this state. Less than 100 of them have poker machines as part of their business model. The Productivity Commission found the impact of the gambling industry on employment is neutral because, if the gambling industry did not exist or was smaller, money would be spent in other industries where employment would also naturally be created. Industries change, business models change, often driven by changes in community expectations and preferences.<sup>114</sup>*

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<sup>113</sup> Op.Cit. Ms Meg Webb, p. 29

<sup>114</sup> Op.Cit. Ms Meg Webb, p.25



228. Mr Old also commented on the impact on regional communities in the event that EGMs were removed from hotels and clubs.

**Ms COURTNEY** - *Steve, do you have a sense for the number of operations around the state that have gaming machines at the moment that would economically unsustainable if EGMs were removed from clubs and hotels?*

**Mr OLD** - *I don't have the exact numbers but if you looked at community clubs, from when we did the example with Glenorchy Council a couple of months ago - and I don't want to speak on their behalf - the Glenorchy RSL said if they lost their gaming machines they would shut the door. So from a community club perspective, the ones who have gaming would probably shut their doors - and that is them quoting, not me; that is what they said to us.*

*I think you would find there would be a fair proportion, especially regional pubs, if you took the gaming out - whether that decimates them and they have to close the hotel - I think what 100 per cent of them would certainly do would be drop what they offer to the clients through other services. For example, if Peter Scollard from the Welcome Stranger lost his gaming machines, he might not say he is closing the doors tomorrow but what he would probably do is get rid of 10 staff, and the kitchen is open seven days a week from 12 noon until 9 p.m. at night, so he might only open it four nights a week between 12-2 p.m. and 5-7 p.m. I think what it will mean is the services of what that offers to tourists and locals will drop and, like Greg is hinting at, the service levels that we offer to tourists and other patrons will dramatically decrease. That is as much as our concern as the venue shutting.*

*I believe we can't afford to lose one regional job. Regional jobs are very hard to find. As we have talked about before, forest industries and other industries have been decimated in regional areas, and the one thing that most towns have is a pub or a community club that supports the local community. One of the things Darren didn't mention as the operator of the Shoreline is that he lives in Howrah, he operates the pub and he has a vested interest in that community, so one of the things we get frustrated about is when people say, 'The money is going*

*offshore and Darren doesn't really care about his community'. Darren lives in his community, he runs the local pub, he supports a local football club, netball club etcetera but he does care about what happens to his community. I think it's a bit of a myth when people say otherwise.<sup>115</sup>*

### **Value to tourism industry**

229. The Tourism Industry Council Tasmania (TICT) highlighted the potential risk to the local visitor economy and tourism industry if there was any significant disruption to the current structure of the gaming market in Tasmania that affected the viability and commercial activities of regional gaming venues. The TICT submitted that ensuring the sustainability and growth of Tasmania's regional hotels and clubs currently engaged in the gaming industry must be a priority outcome in any future gaming market structure.<sup>116</sup>
230. While it is often argued that gambling has a positive impact in terms of attracting tourism to Tasmania, Owen pointed out that Hobart and the surrounding region is the largest contributor to tourism expenditure in Tasmania (it accounts for 50% of all tourism expenditure in 2014-15), despite having only 36% of the state's EGMs (outside of casinos). Statistics demonstrate that there is no positive correlation between density of EGMs (number of machines per 1000 adults) and the size of the local tourism economy.<sup>117</sup>
231. Mr Peter Hoult noted that gaming markets in Tasmania are almost entirely local, with Tasmanian gamblers spending Tasmanian money. Tasmanian casinos do not operate in the 'high roller' market, and thus do not target international players. The value of gaming to tourism may be overstated as there is limited gambling-related interstate or international tourism to Tasmania.
232. The TICT noted the importance of Federal's casino upgrades in attracting Asian tourists to the facilities when visiting Tasmania.

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<sup>115</sup> Ibid p.80

<sup>116</sup> Written submission, Tourism Industry Council of Tasmania, p. 2

<sup>117</sup> Owen, p. 31-32

*We believe an upgraded Wrest Point and Country Club will stimulate visitor demand to the State, particularly from the Asian market that are attracted to the general qualities of Tasmania but expect a quality casino-entertainment experience. TICT notes that every major casino development across Australia since Wrest Point was established has incorporated an element of certainty to the operator from the State around gaming licences.<sup>118</sup>*

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<sup>118</sup> Op.Cit. Tourism Industry Council of Tasmania

TERM OF REFERENCE F - A review of harm minimisation measures and their effectiveness, including the Community Support Levy.
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### **Harm minimisation measures**

233. A key policy challenge for the regulation of the gaming industry is to strike the right balance between providing an enjoyable gaming experience for recreational gamblers, while minimising social harm from problem gambling.
234. There are three main avenues through which social harm from gambling could be minimised:
- Supply reduction – controlling the amount of gambling available;
  - Demand reduction – encouraging people not to gamble, delay gambling or gamble less frequently; and
  - Harm reduction – addressing and alleviating the harm caused by gambling as opposed to the gambling itself.
235. The first two measures above are categorised as ‘preventative’, while the third measure is aimed at addressing the symptoms of problem gambling but not its causes.

### **Current measures**

236. At present, the following key measures are in place in Tasmania:
- The Responsible Gambling Code;
  - The Gambling Exclusion Scheme; and
  - Venue EGM caps (40 for each club; 30 in each hotel)
237. In addition to the above, the Tasmanian Government introduced a ‘community interest test’ in 2017 to provide the community with a greater say in determining where EGMs are placed in new venues. The new test would not apply to previously existing venues operating EGMs. As noted in the Framework earlier in this report, the Government also has a policy position of reducing the statewide EGM cap by 150, post 2023.

238. Director of Disability and Community Services Ms Ingrid Ganley was asked whether organisations were measured against KPIs regarding their impact on addressing gambling issues as they arise.

**Ms DAWKINS** - *Do those organisations have KPIs to show that they have been able to have a positive impact and alleviate that particular issue?*

**Ms GANLEY** - *In terms of those sorts of outcomes, it is probably not that explicit. It is more about numbers of cases that have been seen and types of issues that they are dealing with, because we don't do follow-up and we don't request follow-up in terms of that outcome.<sup>119</sup>*

239. Ms Kate Roberts from the Gambling Impact Society of NSW put forward a general concept of harm minimisation.

**CHAIR** - *Harm minimisation tends to focus on the symptoms of problem gambling. Given the diversity and comorbidity in and amongst problem gamblers, is there more that can be done to address the underlying causes of problem gambling?*

**Ms ROBERTS** - *Yes, no doubt. I have been a problem gambling counsellor specifically for the last 17-odd years and, as I say, I have lived experience and am a supervisor of counsellors in the field. Through that time I have seen hundreds of people who are at the pointy end of a gambling problem. I am also very well aware of the latest research showing there are really significant harms for people who we also consider in the low-risk categories along the continuum.<sup>120</sup>*

and further,

*That is where I think harm minimisation really has a lot to develop. Certainly the policies of responsible gambling and their strategies primarily focus on individuals. This seems to me shifting responsibility to the gambler and not looking at the more complex arrangements and offerings in the community. This is often after the harm is done. We*

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<sup>119</sup> Op.Cit. Ms Ingrid Ganley, p.32-33

<sup>120</sup> Op.Cit. Ms Kate Roberts, p. 92

*know that things like duty of care and the responses by venues are often very minimal and really do not go far enough to attend to those issues, but it goes well beyond the venues and out to the general community.*<sup>121</sup>

240. Ms Margie Law from Anglicare commented on the effectiveness of harm minimisation measures from her experience.

*Tinkering at the edges may have helped in some way, but it is only tinkering at the edges; people are still being harmed too greatly. That is when we moved from harm minimisation - consumer protection - to these machines are too dangerous and all the regulatory manipulations happening are not protecting consumers. They are too dangerous to have them on street corners.*<sup>122</sup>

241. A longitudinal survey was used to assess gamblers' awareness of measures, whether self-reported expenditure on gambling had reduced as a result of the measures, and whether non-problem gamblers report reduced enjoyment of gambling as a result of the measures. The analysis was done using three separate surveys at different points in time. A sub-sample of respondents who participated in the 2011 Gambling Prevalence Survey (Wave 1) were re-interviewed approximately 2 years and 9 months later (Wave 2), and again approximately one year later (Wave 3).

242. The results of this assessment are as follows:

- There was a high level of awareness of measures, with 62.8% to 98.8% of gamblers across all gambling activities being aware of at least one of the harm minimisation measures for that gambling activity. Within this group, 86.2% to 98.8% of EGM gamblers report awareness of measures.<sup>123</sup>
- A significant proportion of at-risk gamblers (6.0% to 57.9%) reported a decrease in expenditure on their gambling as a result of at least one measure. For EGM gamblers only, the range narrows from 11.8% to 34%

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<sup>121</sup> Ibid

<sup>122</sup> Op.Cit. Ms Margie Law, p. 32

<sup>123</sup> The range corresponds to the lower and upper bound estimates from each of the three waves of respondent interviews

- A relatively small proportion of non-problem gamblers (0% to 9.5%) reported a decrease in their enjoyment of gambling as a result of at least one measure. For EGM gamblers only, the range narrows from 7.5% to 7.8%.<sup>124</sup>

243. The 2015 SEIS also found that only about 3% of moderate risk or problem gamblers seek help Gamblers Help support services.

244. Mr Mark Henley from Uniting Communities in South Australia was asked about the low rates of identified problem gamblers in that State for comparative purposes and the issue of access and discussed various factors.

*The first one is simply the acceptability of services. How easy are services to get hold of.*

*The second is the role of the industry in identifying risky behaviour and giving people the opportunity to sit down and have a chat, have a coffee, calm down a bit and then look to making referrals to appropriate health services. This promotion of the health services - a single helpline that can be promoted - is a clear single message that is incredibly helpful. Part of the issue and the reason promotion is important is that it is one of those services you are going to ignore unless you need it. I could not tell you what the poisons information helpline is at the moment but if my child had just swallowed something, I would find that number really quickly. It is about having a general awareness that the service exists and then having additional prompts when the person is likely to need that service. That is why venue identification is such an important part of the strategy.<sup>125</sup>*

245. Overall, the SEIS concluded that the suite of harm minimisation measures for gambling activities (including EGMs, terrestrial wagering, online wagering, Keno and casino table gaming) were generally found to be effective in reducing the expenditure of at-risk gamblers while not affecting the enjoyment of large numbers of non-problem gamblers.

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<sup>124</sup> Acil Allen (2015). Third Social and Economic Impact Study of Gambling in Tasmania, November 2015

<sup>125</sup> Op.Cit. Mr Mark Henley, p. 5-6

246. The TLGC confirmed its support for the Hodgman Government's principle that the future redistribution of EGMs into new venues outside of the casino environment should be subject to a 'public interest test.'

247. Mr Hoult confirmed his opposition to this idea on the grounds that it is costly to administer such a scheme. He confirmed that he was in favour of specifying a maximum EGM density ratio (i.e. number of machines per 1000 adults in a local government area) and requiring industry to meet this target within a given number of years.<sup>126</sup>

248. Ms Robyn Black from Relationships Australia commented on exclusion lists and their effectiveness in Tasmania.

*It depends what the customer asks for. At any one time a venue might have 20 or 30 people on their list, but if you've asked to be excluded from everywhere in the state then you will come up on everybody's list. There might be 100 photos or more. You will know your regulars, but if you've got a gambling problem you are not going to necessarily go to the pub where you think you will be recognised.*<sup>127</sup>

249. TASCOS Deputy Chief Executive Officer Ms Jo Flanagan made some general comments in relation to the effectiveness of the harm minimisation.

*A key point we were trying to make in our submission was that, overall, the harm minimisation measures have not affected the overall expenditure on pokies. Industry has consistently resisted any of the harm minimisation suggestions that would have impacted on expenditure on pokies. The Productivity Commission says the only real measure of harm minimisation is when we see a drop in the expenditure on pokies..... The best parallel is with tobacco, because we know with these high-intensity machines now that there is no safe level of exposure to them in the same way that there is no safe level of exposure to tobacco.*<sup>128</sup>

250. Mr Mark Henley was asked about some of the challenges in South Australia with the identification of problem gamblers by venues and the

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<sup>126</sup> Op.Cit. p. 3-4

<sup>127</sup> Op.Cit. Ms Robyn Black, p. 3

<sup>128</sup> Op.Cit. Ms Jo Flanagan, p.5



question of continuous time place and the concept of dollar bet limits on EGMs.

*..... The concern is that people with gambling problems lose track of time and they lose track of the amount of money. They will often go in with a budget and once they are in the zone, that is the language they use, they go off to the ATM, get whatever money they can. They end up spending a lot more than they planned, as well as spending more time.*

*If we reduce the harm by reducing the amount of money that people can spend, that will be more obvious than if they are spending extended time. With people with families, their family members will come looking for them before they have spent anywhere near as much money. A dollar per spin bet limit: people can easily spend \$120 to \$130 an hour with those limits in place, which is a whole lot more than people spend per hour in the most popular recreation forms. Going to the movies: we are looking at \$10 to \$15 per hour. Going to a footy match or an AFL game: I will spend maybe \$20 an hour. When you go to a restaurant or a café, you spend maybe \$20 or \$30 an hour. You are not spending \$120 an hour. That amount through a one dollar per spin bet limit is still a reasonably high spend for a recreational activity.*

*It is a sound approach and the fact the Productivity Commission, which is a serious group of researchers, gave it a clear recommendation, gives some extra strength to it.<sup>129</sup>*

### **The Responsible Gambling Code**

251. In 2009 the Tasmanian Government directed the (then) Tasmanian Gaming Commission (TGC) to establish a new Responsible Gambling Mandatory Code of Practice for Tasmania. In November 2009, changes were made to the *Gaming Control Act 1993* to implement these measures, with the Code fully phased in by 1 September 2012. Details of the measures are summarised in Box 1.

#### **Box 1** Tasmania's Responsible Gambling Mandatory Code of Practice

The *Responsible Gambling Mandatory Code of Practice for Tasmania* aims to:

- contribute to minimising the harm from gambling and promote responsible gambling practices in Tasmania;

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<sup>129</sup> Op.Cit. Mr Mark Henley, p. 6

- provide gambling environments that are safer, and present gambling products in a responsible manner;
- ensure the public and the gambling industry has an understanding of their rights and responsibilities in relation to the matters covered by the Code;
- assist people to make informed decisions about their gambling practices; and
- ensure that gambling staff have the opportunity to develop additional skills to assist them to engage with people who may be displaying problem gambling behaviours.

The Code applies to multiple types of gambling (EGMs, terrestrial wagering, online wagering, lotteries, Keno and casino table gaming) according to the level of likely harm associated with each activity.

Prior to the Code's introduction, a number of harm minimisation measures were in place. These included:<sup>130</sup>

- prohibiting automatic teller machines in gaming venues (excluding the two casinos);
- banning smoking inside a licensed venue;
- ensuring that no venues operate gaming for 24 hours;
- ensuring that competitive advertising of gaming is moderated, such as through the industry voluntary codes of practice ensuring that EGMs with note acceptors are not permitted in hotels and clubs and autoplay is prohibited; and
- introducing a maximum bet limit of \$10 in clubs and hotels.

252. The TLGC recently commissioned Stenning and Associates<sup>131</sup> to prepare an independent desktop review of contemporary gambling harm policies and initiatives, with a view to identifying potential improvements to the Responsible Gambling code and other measures in Tasmania.

253. The report found that a significant proportion of controls in the Tasmanian Code are more comprehensive in their coverage and more stringent than those in other jurisdictions. The exceptions to this relate to controls in the area of advertising and information to players.

254. The TLGC is currently considering the independent review findings and has published an Options Paper that identifies a number of initiatives as potential Code enhancements that might make a difference to minimising harm. The TLGC will use the information gained from this consultation process to complete its assessment of the Code and to determine whether enhancements are necessary to build on existing industry practice.

255. Ms Jenny Cranston from the TLGC was asked about the Code in the context of currently excluded measures such as spin rates.

*The \$5 bet limit is a ministerial direction and I think the credit lines are also. I have been here a year and a half so I cannot claim to be new*

<sup>130</sup> Acil Allen (2014). Volume 1, p. 18

<sup>131</sup> Stenning & Associates (2017). Contemporary gambling harm minimization policies and initiatives. A Desktop Review, Final Report Version 1.0. Prepared for the Tasmanian Liquor and Gaming Commission, March 2017, p.v

*too much longer, but I thought that the review of the code would be broader. The act mentions the 10 matters in the current code. We have had to restrict the view of the code to those 10 existing matters, which is not bet limits, spin rates, lines on machines and so on.*<sup>132</sup>

256. Ms Margie Law from Anglicare also provides some comparative information on maximum bets in other jurisdictions.

*The main difference between Tasmania and the other states, apart from the differences I have just spoken about with Western Australia, is that Tasmania has no limit on the maximum payout. In contrast, New South Wales, Victoria and South Australia set limits of \$10 000 and the Northern Territory sets \$25 000. Maximum payout is important because it contributes to the volatility of the machine. The volatility of the machine is important because it determines how closely the machine conforms in the short term to its programmed long-term return-to-player outcomes.*

*Tasmania compares even more unfavourably when we look at other countries. Our maximum bet limit of \$5 per spin is twice as much as in New Zealand and Quebec, Canada; \$2 more per maximum spin than is allowed in Finland; and more than \$3 than allowed in the UK. In Ireland, the maximum bet is just 4 cents Australian. These figures are from a gambling industry round-up of poker machines made by the Gaming Technologies Association....*

And

*This document also describes maximum payouts. It is embarrassing to compare. Apart from Finland's \$7000 and Iceland's \$1300 maximum payouts, which are already minimal compared to ours, the payouts for Quebec, Belgium and New Zealand are under \$1000 and for the UK, it sits at less than \$200. This is for community-based venues similar to our hotels and clubs. These much smaller maximum payouts mean the machines are less volatile and the player will be more likely to experience something like the programmed return-to-player in a shorter time.*<sup>133</sup>

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<sup>132</sup> Op.Cit. Ms Jenny Cranston, p. 17

<sup>133</sup> Op.Cit. Ms Margie Law

257. Mr Barry from the TLGC was also queried about opening hours and whether a reduction in operating hours under the Code may have an impact on problem gambling.

*If you look at it from a harm minimisation point of view, there are two things problem gamblers have in common. One is the amount they gamble per spin, and the other is the amount of time they spend at the machine. One of the proxy measures to try to reduce the amount of time at the machine is about hours of operation. It is one of the tools in the kit that can potentially be used to create the need for the gambler to leave the machine, and particularly a problem gambler.<sup>134</sup>*

### **EGMs**

258. Mr Peter Hoult submitted that the current venue cap on EGMs in clubs and hotels has been particularly effective. He argued that if these caps were removed, Tasmania would see the emergence of a number of 'super venues' located in areas where the industry knows the patronage would be highest. He noted that high-value venues can be easily mapped by observing which venues have been acquired by a small number of large players in the industry.<sup>135</sup>
259. Mr Hoult made the further observation that the proposed future reduction in EGMs would only have a material beneficial impact on reducing problem gambling if the reductions occurred in the locations where machines are intensively played.
260. Under current arrangements, Network Gaming is the initial (de facto) decision-maker around how EGMs are allocated to new venues. The TLGC receives a letter of support from Network Gaming that they have assessed a premises and think it is a suitable location for EGMs, then the TLGC gives its approval. Mr Barry of the TLGC stated that Network Gaming is not licensing, but they are, in effect, the 'gatekeeper' of the licensing process. He reiterated that no issues have been raised that he is aware of.<sup>136</sup>

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<sup>134</sup> Op.Cit. p. 41

<sup>135</sup> Op.Cit. Mr Peter Hoult, p. 3

<sup>136</sup> Op.Cit. p. 49

261. In public hearings, Mr Farrell of the Federal Group explained the company's decision-making process in allocating EGMs to venues. He stated that Network Gaming has to this date applied its own community interest test, social test and commercial test. In the first instance, it would assess whether it felt the venue was suitable for gaming, including whether the applicants were fit and proper persons. They would take into account things such as competition between that licensed gaming venue and others, as well as taking account of community attitudes in that area.
262. Mr Farrell noted there had only been six applications for EGM licences in the last six years, but acknowledged that previously on occasion, venues had applications rejected by Network Gaming.<sup>137</sup>

### **Community Interest Test**

263. On 17 March 2016, the Treasurer's Ministerial Statement on Gaming announced the introduction of a public interest test (now referred to as a community interest test) to be applied by the TLGC when a new Licensed Premises Gaming Licence is applied for and the applicant wishes to operate electronic gaming machines on the premises for the first time, including when a current licence holder operating keno only applies to operate EGMs.
264. The intent of the Government's policy is to give local communities a greater voice in determining the future location of EGMs in their community. In October 2016, the Government tabled the Gaming Control Amendment (Community Interest) Bill 2016 in Parliament to give effect to its policy. The Bill was passed by both Houses of Parliament and received Royal Assent on 6 December 2016. At this time, the Government requested that the TLGC conduct a public consultation process to inform the consideration of community interest matters to be prescribed in regulations, and to provide advice to Government on the outcome.
265. Pursuant to the above, the TLGC conducted a public consultation process to inform the consideration of community interest matters to be prescribed in regulations for use under the community interest test provisions of the *Gaming Control Act 1993*.

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<sup>137</sup> Op.Cit. p. 57-58, 68

266. The consultation process was informed by a TLGC discussion paper, which provides information in relation to the types of community interest matters that have been developed by other Australian jurisdictions (see Box 2) and those matters that could potentially be prescribed in Tasmania.

**Box 2** Community interest assessment frameworks in other jurisdictions

Every other jurisdiction in Australia (with the exception of WA, where EGMs do not operate outside of the casino), includes a form of community assessment that must be submitted for consideration with applications for the introduction of EGMs into new venues, or where EGMs are increased/relocated at existing venues. In some jurisdictions the requirement for a community assessment is dependent on EGMs increasing by a certain number of machines or is at the discretion of the regulatory body.

While the broad purpose of each assessment is similar (i.e. to analyse how a particular premises/proposed premises will impact the community), elements can vary from jurisdiction to jurisdiction, including:

- the regulatory framework providing for the assessment;
- the structure of the test and supporting information (i.e. how the information is collated);
- who is required to complete the test; and
- the detail required to be submitted as part of the community interest submission (i.e. the community interest matters)

In line with New South Wales and the Australian Capital Territory, the Commission proposes to develop guidelines in support of the Tasmanian legislative framework, which will provide additional information to applicants required to complete a community interest submission.

Most jurisdictions do not stipulate who must undertake the community interest submission. The Northern Territory and Queensland do, however, provide in their guidelines that the submission is considered a report to relevant authorities, not to the applicant, and the submission must be:

*“an objective, professional and independent review of the potential social and economic impact of gaming machines on the local community”.*

It should be noted that while some jurisdictions do not include the requirement of who should complete the community interest test, most applicants employ an experienced third party when completing the submission.

The matters to be incorporated and considered by the relevant decision making body as part of the community impact assessment differs in each jurisdiction. For example, the Northern Territory, New South Wales, Victoria and the Australian Capital Territory require the collation of information relating to the economic and social impacts of the application, whereas Queensland and South Australia have a stronger focus on taking into account social and community issues in making a determination, making stakeholder engagement a key focus.

Data source: TLGC (2017) Gaming Control Act 1993 Community Interest Test Relevant Matters – Discussion Paper, January 2017

267. While the TLGC is in favour of a community interest test<sup>138</sup>, others have flagged their concerns to this Inquiry, pointing to the complexity and subjectivity of such an approach. For example, Mr Peter Hoult indicated his opposition to the idea on the grounds that it is costly to administer such a scheme. He submitted that evidence from interstate, particularly Victoria, showed how fraught these processes can be.

### **Potential Harm Minimisation Measures**

268. In its submission to the Inquiry, the TLGC proposed a number of additional harm minimisation measures:

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<sup>138</sup> TLGC Written Submission, p. 2

- Supply control actions – limiting hours of gaming room operation in venues, configuring machines to disallow continuous use by an individual player over extended periods of time, and raising maximum EFTPOS withdrawal limits.
- Demand control actions – modifying gaming machine features to reduce player losses, for example through reduced maximum bet limits, reducing spin rates, the number of lines, the amount of cash that can be fed into a machine at any one time, and periodic notification to players about how much they have lost already and how much they could expect to lose in the next hour.

269. Gambling Impact Society (NSW) Executive Officer Ms Kate Roberts was questioned about spin rates at a hearing.

***Mr BACON** - We have heard the claim today Australia has the slowest spin rates in the world when it comes the electronic gaming machines, and I wondered if you had any comments?*

***Ms ROBERTS** - Yes, that is not my understanding. I think that came out of the mouth of Ross Ferrar, didn't it? My understanding is that we have 20 per cent of the world's fastest, most sophisticated electronic gaming machines.<sup>139</sup>*

270. The TLGC proposed these measures as additional safeguards against EGMs, which it regards as having the potential to cause considerable harm for people 'at-risk' of gambling addiction.

271. As part of the discussions in Melbourne, Executive Director of the Victorian Responsible Gambling Ministerial Advisory Council Ms Cate Carr was questioned on the YourPlay concept.

***Ms DAWKINS** - I understand that a couple of other jurisdictions attempted it but Victoria is the only place that has put in the mandatory pre-commitment. Am I correct?*

***Ms CARR** - Yes and no. Other jurisdictions have trialled a pre-commitment system but it has been limited in size and scope. I think Queensland ran on the back of their loyalty program and only operated*

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<sup>139</sup> Op.Cit. Ms Kate Roberts, p. 96

*in a small number of venues. Victoria is the only jurisdiction to have a statewide system whereby it is mandatory for every venue operator to be able to operate YourPlay. That involved retrofitting of 30 000 gaming machines. Our system is not mandatory for players. It is voluntary for players but it is mandatory for venues to have it. It is what we call a voluntary pre-commitment system. The only players that it is mandatory for are people who want to play certain machines at the Melbourne casino. They are machines that do not have the normal kind of caps on maximum bets, et cetera. They have to use YourPlay. For all other players it is voluntary.*

**Ms DAWKINS** - *What is the uptake like? In Tasmania, from a recent Auditor-General's report we know now that only 15 per cent of problem gamblers, as we still call them, are self-identifying and going through some sort of process. Would it be similar or a lower number here in Victoria using the pre-commitment?*

**Ms CARR** - *The numbers are small. They have been better than I thought and again I can provide you with some data that I do not have here. We have always looked at it as a long-term project. We certainly try to avoid using and connecting YourPlay with problem gamblers because as soon as you start talking about problem gamblers, everybody else goes, 'Oh, I'm not a problem gambler, I don't need it'.<sup>140</sup>*

### **The Community Support Levy**

272. The Community Support Levy (CSL) was introduced in 1997 to coincide with the introduction of EGMs to Tasmanian hotels and clubs. The CSL was established:

- in recognition that an increase in the number and location of EGMs in the community may diminish traditional fundraising activities; and
- to fund programs and activities for the purpose of reducing the risk of harm from gambling.<sup>141</sup>

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<sup>140</sup> Op.Cit. Ms Cate Carr, p. 9

<sup>141</sup> Legislative Council Select Committee – Video gaming machines extension beyond casinos, Parliament of Tasmania, No. 3, 1993



273. Upon its introduction, the CSL was initially applied at a rate of 2% to EGM gross profits in clubs and 4% for hotel EGM gross profits. When the Federal Group was granted a new 15 year license for the exclusive operation of EGMs in Tasmania in 2003, the CSL contribution rate was raised to 4% for both hotels and club EGM profits.
274. In 2015-16, approximately \$4.6 million was raised via the CSL.<sup>142</sup> The TLGC performs a strategic oversight function in respect to the CSL by overseeing the administration of the CSL, including recommending and reporting of annual budgets to the Treasurer.
275. The distribution of funds is determined by the *Gaming Control Act 1993*. It requires:
- 25% for the benefit of sport and recreation clubs (administered by Department of Premier and Cabinet - DPAC);
  - 25% for the benefit of charitable organisations (administered by Department of Health and Human Services - DHHS); and
  - 50% which is for the provision of:
    - Research into gambling, including the SEIS (managed by Department of Treasury and Finance - DTF);
    - Services for the prevention of compulsory gambling, including the Tasmanian Gambling Exclusion Scheme (administered by DTF);
    - Treatment or rehabilitation of compulsive gamblers (DHHS);
    - Community education concerning gambling (DHHS); and
    - Other health services (DHHS).
276. The Treasurer is responsible for distributing the CSL funds.
277. Other Australian jurisdictions have similar levy mechanisms in place to fund community benefit programs (see Box 3). In most states, a portion of the revenues earned from EGMs is either subject to a community benefit levy or must be directed towards community grants.

#### Box 3 Community benefit funds and levies

**Victoria** – has a Community Support Fund, which applies to EGMs in hotels. One day's revenue for 1 September each year is paid to the Victorian Veterans Fund, and the remaining funds are allocated to a range of government departments

<sup>142</sup> Tasmanian Liquor and Gaming Commission Annual Report 2015-16, p. 7

to support programs and projects in the community. Clubs are required to provide an annual Community Benefit Statement that shows they have contributed 8.33% of the venue's gaming revenues as a community benefit each financial year

**New South Wales** – No community benefit levy is applied to hotel gaming in NSW. Clubs with EGM annual profits in excess of \$1 million are allowed a rebate on taxes paid up to 1.85% if they demonstrate that they have spent this amount, or more, on community development and support services

**Queensland** – The Queensland Government allocates a portion of the tax revenues raised from all gambling operators to the Gambling Community Benefit Fund. Hotels pay a 'Health Services Levy', which is scaled according to gaming revenue. Clubs with 51 or more EGMs must submit a Community Benefit Statement annually to outline the contributions to charitable, sporting, recreational and other community purposes and initiatives

**South Australia** – Hotels, clubs and the casino must contribute to the Gamblers Rehabilitation Fund

Data source: Owens Gaming Research (2017) The Tasmanian Gaming Environment

278. Several of the submissions to the Inquiry expressed concerns that the CSL does not apply to EGMs in casinos, providing casinos with an unfair financial advantage. Mr John Lawrence for example submitted that in terms of taxation, including the CSL, whatever is decided for EGMs in hotels and clubs should also apply to EGMs in casinos.<sup>143</sup>

279. In 2017 the Office of the Tasmanian Auditor-General reviewed the effectiveness and efficiency with which gambling revenue is collected in the state, and how well the CSL is being managed in terms of being used effectively for harm minimisation measures. While the audit found that the CSL fund is, in general, being managed effectively, the Auditor General could not establish whether the activities funded by the CSL are reducing the risk of harm from gambling:

*No conclusion can be made as to whether activities funded by the CSL to reduce the risk of harm from gambling are achieving the intended outcomes as the evidence is insufficient for us to form an opinion. The Productivity Commission identified that difficulties arising from the nature of problem gambling, such as stigma, deceit, and irrational beliefs that the next wager will solve any problems, means sufferers are unlikely to identify themselves. Therefore, no reliable measurements of the prevalence measures exist from which to determine the extent to which a service has contributed to reducing the risk of harm from gambling.<sup>144</sup>*

<sup>143</sup> Written submission, Mr John Lawrence, p. 35

<sup>144</sup> Office of the Tasmanian Auditor-General Report No.13 of 2016-17

280. The Auditor-General also found that grants to charitable organisations are not effectively managed as there is no requirement for risk management processes to be in place. Further, a number of projects were incomplete in respect of acquittal by the grant recipient. The audit recommended that all charitable grants be adequately monitored, acquitted and risk-assessed.

### **Value of the CSL as hypothecated funding**

281. The advantage of hypothecation of the CSL is that it ensures money is available for the above-specified purposes. However, disadvantages include that, rather than an evaluation of the benefits and costs of the program relative to all other programs that the government funds, the amount of revenue derived from the CSL determines the level of funding. Also, budgeting for deficits or surpluses in a program can be made more difficult.<sup>145</sup>

282. An alternative to hypothecating CSL funds is to develop a strategic policy framework for addressing gambling-related risks and social impacts, and to fund this through general government revenue sources from State tax receipts.

283. The Committee noted that the CSL is being used to fund a wide variety of activities, some of which are not directly targeting harm minimisation from gambling. Some evidence was received that the provision of funding for sport and recreation clubs could arguably be better funded out of general taxation funding as opposed to a hypothecated CSL (noting that grants for sports equipment purchases and facility upgrades is of benefit to the community more generally and the link to gambling is tenuous).

284. Similarly, the Neighbourhood Houses Program, which receives \$1.5 million each year from the CSL, whilst a very worthwhile program, may be more appropriately funded entirely out of general consolidated revenue.

285. An option would be to reduce the CSL to 2% and redirect the balance to consolidated revenue. The 2% CSL could then be used to fund targeted harm minimisation programs that are aimed at prevention, as opposed to providing more general social support services – which would arguably be

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<sup>145</sup> Department of Treasury and Finance correspondence, p. 26

better funded out of general taxation. This more targeted approach may also facilitate better monitoring and evaluation of prevention programs.

286. An alternative approach of requiring hotels and clubs to set-aside a specified percentage of gaming revenue for the purpose of implementing harm minimisation programs (with some discretion as to what programs are pursued, subject to a number of minimum requirements) could be considered. This is the Victorian model, whereby club operators are required to prepare and lodge an audited community benefit statement with the gaming regulator every financial year.
287. The purpose of this statement is to ensure that clubs are making contributions according to legislative requirements. This approach may however be an unworkable model in Tasmania, particularly given the relatively low amounts of money involved and the compliance monitoring costs that would be incurred by the Tasmanian Government.

### **Broadening the CSL base**

288. Another issue raised in a number of submissions is the question of which venues the CSL should apply to. While the fact that the CSL applies to EGMs in hotels and clubs and not casinos reflects historical circumstances at the time of its introduction<sup>146</sup>, there is a case that its application now to some venues and not others provides casinos with an unfair advantage compared to clubs and hotels. It also means that the casinos are not contributing to the hypothecated fund targeted at, among other things, harm minimisation from problem gambling – an issue which is largely associated with EGMs.
289. The Federal Group provided an explanation of the reasoning for the CSL not being applied to casinos in its written submission.

*The Community Support Levy has been in place since hotel and club gaming commenced in Tasmania. Since 2003, 4% of the gross profit from EGMs in hotels and clubs has been paid into the Levy. It should be noted that the Levy has not applied to EGMs in casinos because casinos*

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<sup>146</sup> Casinos were exempt as EGMs were already in place in casinos at the time the CSL was introduced and also because part of its rationale was to raised funds to substitute for community fundraising in hotels and clubs that might otherwise be displaced by EGMs.

*already had EGMs at the time of the introduction of the Levy. Similarly, Federal Group has always been a strong supporter of charities and the arts – as confirmed in earlier sections of this submission and the attached Deloitte report. The original argument for the Levy was the loss of activities undertaken in hotels and clubs which had supported charities prior to the introduction of EGMs in hotels and clubs. That argument has never applied to the operation of EGMs in casinos.<sup>147</sup>*

290. Clubs Australia suggested that community-based not-for-profit clubs be exempted from the CSL in recognition of the role they play in the community. The Committee considers that this role is best addressed via adjustments to the taxation arrangements – in particular, the introduction of a progressive, tiered tax scale – as this mechanism can address the particular circumstances of community clubs while not unduly distorting the market between venues. Moreover, problem gambling associated with EGMs occurs regardless of venue. This suggests all venues with EGMs should make a contribution towards addressing this harm.
291. Broadening the CSL base to include casinos would increase CSL receipts. The Tasmanian DTF estimates that CSL receipts would increase by \$3.07 million per annum (around a 66% increase in levy funds) if the CSL was applied to EGMs in casinos at a rate of 4% of gross profits.<sup>148</sup>
292. If this were to occur, careful consideration would need to be given to the spending this additional money would provide for and whether any change to the specified funding split should be made in the circumstances. Alternatively, the CSL could be broadened and the rate lowered. These issues were not raised in any of the submissions received.

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<sup>147</sup> Op.Cit. p. 74

<sup>148</sup> Tasmanian Department of Treasury and Finance, response to questions from Joint Select Committee Future Gaming Markets, 22 June 2017

## TAXATION AND LICENSING TERMS OF REFERENCE

TERM OF REFERENCE D - An assessment of options on how market-based mechanisms, such as a tender, to operate EGMS in hotels and clubs could be framed.
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TERM OF REFERENCE E - Consideration of future taxation and licensing arrangements, informed by those in other jurisdictions.
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293. In order to consider options for the management of any post-2023 EGMS in hotels and clubs, it is important to consider a number of important issues regarding taxation, licensing and regulatory arrangements. For this reason, terms of reference D and E are considered in this chapter jointly, which includes consideration of taxation arrangements later in the chapter.

## MONITORING & EGM OWNERSHIP ARRANGEMENTS

### Background

294. While the TLGC is the industry Regulator, Network Gaming (a subsidiary company of Federal Group) has the exclusive licence to operate EGMS in hotels and clubs in Tasmania.

295. The licence was established through the 1993 Deed between Federal Hotels and the Tasmanian Government, attached to the *Gaming Control Act 1993*. The Deed was subsequently extended in 2003 for a further 15-year fixed period (and attached to the *Gaming Control Amendment Act 2003*), with the capacity for rolling 5-year terms to be determined at the discretion of the Minister from 30 June 2018.

296. Network Gaming was established in 1996 to manage the distribution of EGMS and Keno in hotels and clubs throughout Tasmania. It is owned by Federal Group, which also owns hotels throughout the state and casinos. The single licensed operator model is unique to Tasmania.

297. Hotels and clubs hire EGMS from Network Gaming and also pay a promotions levy. All gaming income accrues to Network Gaming through a central account. Hotels and clubs are entitled to receive a commission, with the rate of the commission specified in the *Gaming Control Act 1993* –

club venues receive 32% and hotel venues 30%. These commissions are paid out of the central account operated by Network Gaming.

298. The TLGC is responsible for licensing individual venues, while Network Gaming performs the function of distributing machines, collecting revenue, monitoring EGM compliance and performance, and ensuring venues comply with industry codes of practice.
299. In practice, Network Gaming has a de facto licensing role in initially assessing whether a venue should be provided EGMs. A common control platform is used by Network Gaming to monitor and manage the operation of all EGMs. Network Gaming supplies this information to the TLGC as part of its operator licence.
300. The current arrangements establish Network Gaming as a monopoly provider for activities. Furthermore, because Network Gaming is owned by the Federal Group, there is a potential conflict of interest – to the extent that Network Gaming has a commercial incentive (and a means) to allocate EGMs in venues that suit its commercial interests, potentially discriminating against other venues that are not owned by Federal Hotels.<sup>149</sup>
301. Recognising these risks, the Tasmanian Government introduced several measures at the time of signing the 2003 Deed to limit Network Gaming's monopoly power:
- The TLGC imposed a series of conditions on all hotel properties owned by Federal Hotels to ensure that these properties are not favoured relative to any other venue;
  - The TLGC imposed a percentage cap on the total number of EGMs able to be operated by venues owned by Federal Hotels. The present level of this cap is 25% of the total number of machines in hotels and clubs; and
  - Under the 2003 Deed, Federal Group is prohibited from charging hotels and clubs any amounts attributable to the cost of monitoring, operating and redeveloping the Central Monitoring System.

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<sup>149</sup> While a venue must obtain a licence from the TLGC, it would not do so if Network Gaming has not approved the venue as a site for EGMs based on a commercial assessment

302. In other jurisdictions, there is a separation of roles between regulator, EGM ownership, and EGM monitoring and compliance functions.

### **The Licensed Monitoring Operator**

303. An important function in the gaming market is that of the Licensed Monitoring Operator (LMO). Although the services provided vary depending on the defined role of the LMO, typical functions include: monitoring and reporting EGM activity and revenues to the regulator; linked jackpots; and additional market services, such as training; supply EGMs; and servicing EGMs.
304. The monitoring arrangements differ somewhat between jurisdictions. Monitoring services in New South Wales, Victoria and Queensland are provided by independent entities that do not have commercial interests in operating gaming venues, with a flat fee per machine per month being charged to the venue operator. In Queensland, the market for monitoring services is open to competition. In South Australia, monitoring is done by an organisation jointly owned by hotels and clubs.
305. Monitoring arrangements in Tasmania differ from the other jurisdictions due to the central and exclusive role of Network Gaming. As the sole owner of all EGMs in the state, Network Gaming is also responsible for monitoring and reporting of EGM activity and revenues from all licensed venues. Network Gaming provides this information to the TLGC as part of its operator licence. Network Gaming therefore exclusively holds the role of LMO in Tasmania. This exclusive arrangement raises a number of concerns, including:
- a perceived conflict of interest for Network Gaming, particularly around the need to have a transparent industry structure and reporting and collection of taxation; and
  - a perceived lack of incentive for Network Gaming to provide EGM management services to venues such as training and education and assistance to optimise EGM operations.

### **Network Gaming's monopoly**



306. The Dixon Hotel Group submitted that Network Gaming had refused to place EGMs in some areas that exhibit intensive EGM use, and that this reflected anti-competitive behaviour. It argued that the Government should have the ability to give approval to the installation of EGMs if a gaming licence is granted as it is not fair or appropriate when a competitor, who is also the Gaming Operator, refuses to put machines in an area where they own venues. The Dixons noted that, in this instance, locating machines in such venues would increase competition and this could occur by reducing the number of machines at existing licenced venues.<sup>150</sup>
307. While no evidence was raised of specific examples where this has occurred, the incentive for Network Gaming to place EGMs in venues that are favourable to its own commercial interests clearly exists. At the very least, the Committee noted that it has led to a perceived conflict of interest.
308. During the public hearings, the TLGC Chair, Ms Jenny Cranston, stated that in her time on the Commission she had never heard the issue raised of hotels in direct competition with those hotels owned by the Federal Group having issues with the supply of machines. The Committee noted that the maturity of the market may limit the significance of this issue as there has been only a small number of applications in recent years. However, Ms Cranston also acknowledged the improved transparency offered by a tender process for appointing an independent Gaming Operator.<sup>151</sup>
309. In terms of the decision-making process by which Network Gaming approves/allocates EGMs to venues, Ms Cranston noted that the TLGC receives a letter of support from Network Gaming that they have assessed a venue and think it is a suitable location for EGMs, then the TLGC gives its approval. Mr Barry stated that Network Gaming is not licensing, but they are, in effect, the gatekeeper of the licensing process. He reiterated that no issues have been raised that he is aware of.<sup>152</sup>
310. Mr Greg Farrell from the Federal Group explained the Company's decision-making process in allocating EGMs to venues. He stated that Network Gaming had until the present time, applied its own community interest

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<sup>150</sup> Written submission, Dixon Hotel Group, p. 2-3

<sup>151</sup> Op.Cit. p. 48, 40

<sup>152</sup> Op.Cit. p. 49

test, social test and commercial test. In the first instance, it would assess whether it felt the venue was suitable for gaming, including whether the applicants were fit and proper persons. They would take into account things such as competition between that licensed gaming venue and others, as well as taking account of community attitudes in that area.

311. Mr Farrell noted there had only been six applications for EGM licences in the last six years, but, as referred to earlier in the report, acknowledged that on previous occasions, venues had applications rejected. Mr Farrell stated that, from the beginning Federal Group intended to run Network Gaming as an independent business and Federal's associated businesses would not have influence over the allocation of gaming product. He noted that, in 20 years there has never received an incrimination of any impropriety by the company.<sup>153</sup>
312. Having a major participant in the hospitality industry like Federal Group responsible for determining which potentially competing venues may have access to EGMs, may be perceived as a conflict of interest.
313. The Committee also noted that there is a lack of clarity about the respective roles of TLGC and Network Gaming in approving EGMs to new venues and a lack of transparency about the current decision-making process.

#### **Monitoring arrangements in other Jurisdictions**

314. The monitoring arrangement in place in Tasmania contrasts with most other Australian jurisdictions. Monitoring services in NSW, Victoria and Queensland are provided by independent entities that do not have commercial interests in operating gaming venues, with a flat fee per machine per month being charged to the venue operator.
315. In Queensland, monitoring services are open to competition. Initially there were eight licensed monitoring operators (LMOs), however, the industry has since consolidated arrangements to now be dominated by two entities. In some States, the monitoring operator may provide additional value-added services. In South Australia monitoring is undertaken by an organisation that is jointly owned by hotels and clubs.

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<sup>153</sup> Op.Cit. p. 57-58, 68

316. A summary of monitoring and compliance regimes in other jurisdictions given in the following table.

**Table 4** Liquor and gaming regulation across major states

State	Victoria	NSW	South Australia	Queensland	
Market structure	Exclusive	Exclusive	Exclusive	Competitive	
Operator/s	Intralot Gaming Services P/L	Tatts Group	Independent Gaming Corporation (JV between hotels and clubs)	Tatts Group – 80% of market	Intecq (Odyssey Gaming)
Term of machine operator license	10 years, from 16 August 2012	To 30 Nov 2032	No fixed term	No term	No term
Service offered	Monitoring and Linked Jackpots	Monitoring and linked Jackpots	Monitoring only	Combined services	Combined services
Fee basis	Per machine per month	Per machine per month	Per day per machine	Per machine per month	Average per machine per month
Core monitoring fee	\$29.00	\$43.10+ CPI each year	\$2.10	Not available	\$31.83
Linked Jackpot fee	\$10.00	Not available	NA		
Multiple venue linked jackpot fee	\$15.00				
Monitoring	Y	Y	Y	Y	Y
Linked Jackpots	Y	Y	N	Y	Y
Promotional	N	N	N	Y	Y
Cashless/TITO	N	N	N	Y	Y

Source: Owen, The Tasmanian Gaming Environment, Evaluation and Comparison, p.16

### **A venue EGM ownership model**

317. Some stakeholders argued that a shift away from a single gaming operator model to one in which individual venues are permitted to procure and own EGMs (referred to as the ‘venue model’) would overcome the monopoly held by Network Gaming and lead to increased investment in hospitality infrastructure.

318. Mr Peter Dixon commented on the venue operator model.

*Over time you are better off to have a higher taxation rate and then you are riding with exactly what's happening out there in the industry. That is a practical way. Certainly we think the venue operator model is the best and most efficient model. Federal Hotels know what they are*

*doing. There is no reason, if it all got too tough, to go down the venue road. If Federal Hotels would drop their percentage, you could have the Government getting more tax. You would probably get an extra 10 per cent going to the venues. It would leave Federal on about 19 or 20 per cent*

*They would still be doing really well. They would buy the machines. They would continue as is because as operators we rent the machines from them. They finance that. Your deal would be with them if there is an upfront licence fee. That's a trade-off for the tax rate. All this, from our point of view is about - and it gets back to the Treasurer's statement, those words, 'to make sure everybody is getting a fair piece of the pie, a cut of the cake'. There are several ways you can go. That is another option. We do not hate Federal Hotels. We have never had an argument with them. They are good operators.<sup>154</sup>*

319. The Tasmanian Hospitality Association cited evidence from Victoria that the move to direct venue ownership of machines saw a significant increase in investment in upgrading facilities, with investment jumping from a three year average of \$365 million per annum to \$662 million in 2012 when the licencing structure was changed. These upgraded facilities significantly enhanced the customer experience. The Association notes how such investment in upgrading hospitality facilities is very important to Tasmania, which is heavily reliant on tourism.<sup>155</sup>
320. Other stakeholders noted that the monopoly industry structure can stifle innovation. The Australian Leisure and Hospitality Group (ALH) submitted that, under current arrangements, venue operators have no ability to determine the price (return to player) and quality (type of game and denomination) of the product they offer, as these aspects are licenced to the Federal Group who is responsible for sourcing and distributing EGMs to operators. This is in contrast to other Australian jurisdictions.<sup>156</sup> Similar issues were raised by Dixon Hotel Group, which identified this as a significant deterrent to growth and competition of the industry.<sup>157</sup>

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<sup>154</sup> Op.Cit. Mr Peter Dixon, p. 39-40

<sup>155</sup> Written submission, Tasmanian Hospitality Association, p. 2

<sup>156</sup> Written submission, ALH Group, p. 9

<sup>157</sup> Op.Cit. p. 3

321. However, the Federal Group noted a number of benefits of the current single operator model. It submitted the model had worked well in Tasmania and has delivered a responsible and well-regulated industry and has high levels of player protection and low rates of problem gambling. It also noted that the model dampens some of the negative aspects of competition in relation to EGMs, such as incentives for unscrupulous practices and non-compliance. Federal Group also acknowledged potential benefits associated with an alternative venue operator model.<sup>158</sup>
322. Some submissions expressed their opposition to the concept of introducing a venue model. For example, Mr Peter Hoult pointed to interstate experience, which had shown that such an ownership model resulted in inter-venue competition to attract more gamblers and very high costs for the government in oversight and compliance. Mr Hoult believed that one of the strengths of the current model was that the Federal Group had not overtly promoted inter-venue competition and has a single, statewide model for advertising, staff training, maintenance and oversight. It is not clear however that individual venues do not compete with one another as was asserted by Mr Hoult.
323. The TLGC was of the view that a system that would allow individual venues to tender for the operation of EGMs is highly problematic. The TLGC was concerned about increased regulatory costs for both the regulator and regulated businesses. It also stated that:
- The current system of one provider of EGMs provides a level of system accountability, consistency, and quality control - affording gamblers a measure of confidence in machines, and therefore the overall system, that may not exist in an individualised market.*<sup>159</sup>
324. Based upon the evidence of the TLGC to this inquiry, the Committee noted that the current arrangements were beneficial to it in terms of the resources required to fulfil its regulatory obligations and that a change to the current model would have implications in this regard.

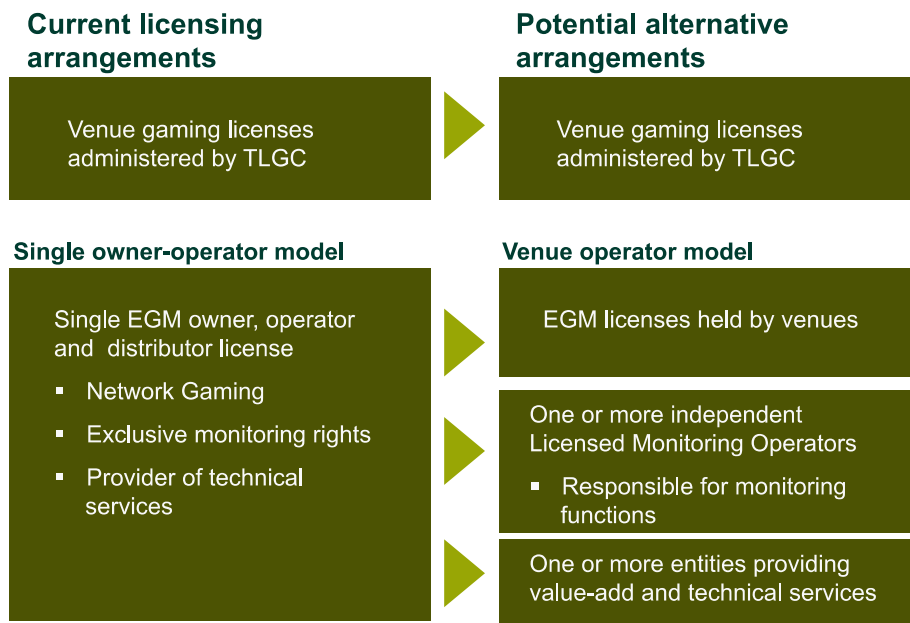
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<sup>158</sup> Written submission, Federal Group, p. 66

<sup>159</sup> Op.Cit. p.6

325. Synergies Economic Consultants, in figure 4, sets out the key structural differences between a venue operator model and the one that currently exists in Tasmania.

**Figure 4 EGM ownership and licensing structures (clubs and hotels)**



Data source: Synergies

326. Synergies Economic Consultants also stated that additional consideration of the venue operator model should include:

- Duration and renewal of EGM licenses
- Transfer of EGM licenses
- Reductions of EGM licenses over time
- A location test to address social impacts
- The ability to reduce the number of EGMs over time
- Ownerships limits
- Greater State revenue through stamp duty on transactions.

### **Other Jurisdictions**

327. Until 2012, Victoria had operated a similar model to that in Tasmania, with two operators holding exclusive ownership rights, but this arrangement ended in August 2012. It was replaced with a model whereby individual EGM entitlements were issued by government to venues for a duration of 10 years. The entitlements are tradable between licensed venues and at any time. A single LMO has been appointed, through public tender, to monitor all EGMs in the state.
328. NSW has a similar model to Victoria, but the EGM entitlements for hotels and clubs are perpetual. Entitlements are transferable and venues are permitted to trade directly with each other. A single LMO has been appointed, through public tender, to monitor all EGMs in the state.
329. Queensland has issued perpetual EGM entitlements for hotels and clubs. Separate, parallel regulatory arrangements apply to hotels and clubs. EGM entitlements are tradable within a venue type, but cannot be transferred between hotels and clubs. Monitoring services are open to competition. Initially there were eight licensed monitoring operators (LMOs), however, the industry has since consolidated to be dominated by two entities.
330. In South Australia, EGM entitlements have been issued to hotels, clubs and the Adelaide casino on a perpetual basis. Entitlement trading is permitted through a centralised, government-operated system. Monitoring is undertaken by ClubsOne, an organisation that is jointly owned by hotels and clubs.
331. In Western Australia, EGMs can only operate in licenced casinos and are therefore not permitted to operate in hotels or clubs anywhere in the State.

### **The Cost of compliance under the current model**

332. The cost of industry regulation, as measured by the budget of the TLGC was \$6.35 million for the 2014-15 financial year. This is understandably lower than other States given the small size of the market. However, the cost of regulation per EGM is relatively high at \$1,781 per EGM, compared to a range of \$123 to \$1,186 per EGM in other states (see Table 5). This

may to some degree be attributable to the size of the jurisdiction in Tasmania.

333. The high cost of regulation is despite the single network owner model being in place, where only one gaming operator holds a licence to own all the EGMs in venues as well as the two casino licences. The model has led to some concerns about the current structure being inefficient.<sup>160</sup>

334. In contrast, submissions by Mr Peter Hoult and the TLGC argued that the model of a single licence holder provides lower costs and a more effective compliance regime than the multiple venue owner model.<sup>161</sup>

**Table 5** Liquor and gaming regulation across major states

		<b>Tas</b>	<b>NSW</b>	<b>Qld</b>	<b>Vic</b>	<b>SA</b>
		<i><b>2015 State Budget</b></i>	<i><b>2015 Actual</b></i>	<i><b>2015 Actual</b></i>	<i><b>2015 Actual</b></i>	<i><b>2015 Actual</b></i>
Responsible entity		Liquor and Gaming Commission	Independent Liquor and Gaming Commission	Office of Liquor and Gaming Regulation	Victorian Commission for Gambling and Liquor Regulation	Independent Gambling Authority and Consumer and Business Services
Regulation and administration cost of liquor and gaming	\$m	6.35	11.57	34.85	32.62	3.702
Casino Licenses	No.	2	2	4	1	1
Liquor Licenses	No.	1,573	17,492	7,432	21,673	6,282
EGMs	No.	3,566	93,364	45,002	27,500	13,410
EGM Operator Licenses	No.	1	3,469	1,210	527	532
Regulation and administration cost per EGM	\$	1,781	124	774	1,186	276

**Source:** Owen, J. The Tasmanian Gaming Environment, Evaluation and Comparison, p.17

## **Future Options**

335. In consideration of the information already covered in the chapter, there are several options for structuring the LMO into the future:

- **Option 1** would allow Network Gaming to continue its LMO role as a common control platform. Network Gaming would continue to own EGMs in casinos and within hotels owned by Federal Group.

<sup>160</sup> Owen, p. 6, 39

<sup>161</sup> Submissions: Hoult, p. 6; TLGC, p.5-6



Ownership of EGMs in independent hotels and clubs would be transferred to venue owners. This would enable venues to procure EGMs from suppliers other than Network Gaming, thus introducing competition into the EGM market (this is the model proposed by THA-Federal Group)

- **Option 2** would assign the LMO role to a new entity – one that is independent in the sense that it does not have any commercial interests in licensed gaming venues and no related entities that own EGM entitlements. Licensed venues would own and operate EGMs. The monitoring function would be performed by the independent LMO. This model would introduce competition into the EGM market and also remove any conflicts of interest. The LMO role could be tendered out to a suitable entity, with the contract renewed from time to time (as is the case in NSW, Victoria and South Australia)
- **Option 3** would open up the LMO role to competition by allowing multiple, independent LMOs to operate in the market (as is the case in Queensland).

336. Under all of the above options, value-add services relating to gaming, including technical advice, machine maintenance, marketing, financing, business services etc. could be offered by the LMO as an optional service, but not as part of its license obligations. Venues would be free to source these services through a competitive market.

### **Arrangements in other jurisdictions**

337. The licensing framework for the supply of monitoring services and gaming systems and related services varies between each state and territory. Most have adopted a model akin to Option 1, such that the monitoring function is assigned through competitive tender to a single, independent entity. This option is consistent with the post-2023 Hodgman Government's Structural Framework, which foreshadows a scenario in which the rights to operate the network would be put to the market.<sup>162</sup>

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<sup>162</sup> The Ministerial statement on gaming noted that the Government was open to alternative structural options for the ownership of EGMs in hotels and clubs, with either the current single network model

338. Arrangements in other jurisdictions are as follows:

- a. in Western Australia and the Australian Capital Territory, the Gaming and Wagering Commission (WA) and the ACT Gambling and Racing Commission, respectively, are responsible for gaming machine monitoring;
- b. in New South Wales, Victoria, South Australia and Tasmania (through Network Gaming), one exclusive license to supply monitoring services has been granted by the relevant licensing authority for each State;
- c. in the Northern Territory, there is no restriction on the number of entities that can hold a monitoring license, however, all monitoring in hotels and clubs is conducted by one operator (MaxGaming); and in Queensland, there is no restriction on the number of entities that can hold a monitoring license.

339. The venue operator model proposed by THA/Federal Group (option 1) does not overcome Network Gaming's conflict of interest. This is because under the proposed model, Network Gaming would only divest ownership of those EGMs that are located in hotels and clubs that are not owned by Federal Group. It would retain ownership of EGMs in Federal Group venues.

340. Option 3 introduces competition in the provision of LMO services but is unlikely to offer any benefit to Tasmania, given the small size of its gaming market.<sup>163</sup>

### **Conduct of tender process**

341. If the LMO function is to be allocated by competitive tender, then a number of matters need to be determined. These include:

- core functions of LMO and interaction with regulator;
- any additional services to be offered;

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continuing, with rights to own and operate that network put to the market, or alternative models such as individual venue ownership under a common network control platform could also be considered.

<sup>163</sup>Having multiple LMOs servicing Tasmania may be of benefit if a venue operator model is not implemented because it would offer venues a choice of which operator to deal with. However, this becomes less important if venues own and operate their own EGMs (as is the Committee's preferred model).

- term of license; and
- basis for fees and fee level.

342. The selection criteria that would apply in tendering this role would also need to be addressed. These would likely include matters such as price offered, technical capacity and experience to deliver the services, ability to comply with Government compliance and reporting obligations, and proposed fees to apply to venues for performing services. The ability of the LMO to provide additional services to assist venue licensees may also be a consideration.

343. Examples of competitive tendering processes for this function include tenders in NSW and Victoria. In NSW a competitive tender process was implemented in 2016 and resulted in MaxGaming NSW Pty Ltd being reappointed as the LMO. The NSW Government applied a combined fee of \$209 million for, among other things, a new 15 year license and a 12 month extension to its existing license. Hotels and clubs with EGMs will be required pay a monthly monitoring fee of \$43.20 per machine (indexed to CPI and excluding GST). This fee is a monitoring fee and does not include any maintenance services.

344. Similarly, a competitive tender process was run in Victoria. In 2011, the then Minister for Gaming issued a license to Intralot Gaming Services Pty Ltd (IGS) to provide an electronic monitoring system. All gaming machines in Victorian venues must be connected to this monitoring system. The monitoring license is for a 15-year term. IGS provides monitoring and Linked Jackpots and charges a core monitoring fee of \$29 per machine per month, as well as additional fees for Linked Jackpot (\$10) and Multiple venue linked jackpot fee (\$15).

### **Value added services**

345. It could be argued that one criticism of the current model in Tasmania is that there is a lack of commercial incentive for Network Gaming to provide value added services that would benefit clubs and hotels with EGMs. The services provided by Network Gaming include gaming software, training and education and assistance in optimising EGM operations.

346. ALH Group submitted that, under current arrangements, venue operators have no ability to determine the quality of the product they offer (type of game and denomination), as these aspects are licenced to the Federal Group who is responsible for sourcing and distributing EGMs to venue operators. ALH Group cited Federal Group's unwillingness to allow venues to install pre-commitment technology on EGMs. It pointed to this as an example of how venues are being constrained in selecting particular product offerings.
347. Similar issues were raised by Dixon Hotel Group, which identified Network Gaming's control over all EGMs in the state as a significant impediment to the industry's ability to compete in the entertainment market.<sup>164</sup>

*.....there is no opportunity for [venue] operators to source different machines and determine returns to players*

348. Under a venue operator model, should the LMO function be opened to the market, there is an opportunity for a potential service provider to offer a range of value added services to individual licensed venues. This can have the benefit of enhancing venues' return on investment in EGMs and the efficiency of their operations. As holders of EGM licences, licensed venues under this model would have greater say over the type of machines purchased, with greater scope for upgrading of facilities.

### **Compliance**

349. Should the Tasmanian Government decide to tender for the role of LMO, it will be important to clarify the specific roles and responsibilities of each party. Existing compliance monitoring functions may need to be realigned, with additional obligations placed on the venues themselves compared to the current arrangement where Network Gaming is both sole licensee and performing the LMO function.
350. The independence of the LMO from venues is an important element to include in any future arrangements, as well as clarity and transparency in the respective roles of the regulator, the LMO and licensed venues.

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<sup>164</sup>Op.cit. p. 3

351. Other jurisdictions have typically assigned compliance functions as follows:

- a. *Independent regulator* – each jurisdiction has an independent gaming regulator responsible for administering gaming legislation and undertaking licensing, compliance monitoring, inspections and enforcement action for breaches. Regulators also typically have a role in implementing harm minimisation measures, including developing and enforcing responsible gambling codes of practice. The specific roles and functions will vary somewhat according to state-specific legislation. In Tasmania, the TLGC performs this function.
- b. *LMO* – this entity (or entities in jurisdictions where more than one LMO operates) is licensed by the independent regulator to undertake monitoring of the EGM market. LMOs are typically responsible for monitoring and reporting EGM activity and revenues in individual licensed venues to the regulator.
- c. *Licensed venues* – individual licensed venues also have compliance obligations. While these vary by jurisdiction depending on the governing legislation, examples include: obligations to have in place a compliance program; obligations regarding signage and advertising; compliance with responsible gambling codes of practice; and reporting requirements (either self-reporting for internal audit and control purposes or to the independent regulator).

### **Transition arrangements**

352. Adoption of a venue operator model for Tasmania would require transition arrangements to be developed for those hotels and clubs that are currently leasing EGMs from Network Gaming. EGMs are a significant asset that cost around \$30,000 per unit when new and have a lifecycle of 5 to 10 years.

353. At present, of the 90 hotels in Tasmania with EGMS, 12 are owned by Federal Group and the other 78 are owned by independent parties. Of the 2248 EGMs located in hotels, 360 are located in Federal Hotels, while 1,888 (or 84%) are located in hotels owned by other parties. A further 127 EGMs are located in 7 clubs.

354. A submission by Mr John Lawrence draws attention to the problems that may arise if small, non-Federal Group venues are required to take on liabilities for their existing fleet of EGMs<sup>165</sup>:

*If there was a move away from the current sole licence there would be transitional problems particularly with the ownership and financing of EGMs. At any time a 30 EGM venue would have approximately \$300,000 owing on its EGMs. Currently these are Federal Hotels' liabilities, but in a revised arrangement they might need to be shifted to the venue level.*

355. If a venue operator model was introduced without any consideration given to how the change-over in EGM ownership would be facilitated, the new model could render small venues at a financial disadvantage to larger venues as small venues may face difficulties taking on the debt owing on their existing machines.
356. Mr Lawrence also raised concerns about the capacity of small venues to obtain finance to fund their own machines, beyond the initial transition period, under a venue operator model:

*Any move to shift license to the individual pub level, may require the venue operator to finance his/her machines. Currently Federal Hotels does this. The average amount owing on machine leases in a 30 EGM venue at any time would be approximately \$300,000. Smaller operators may struggle to arrange finance particularly clubs. This has been one advantage of having a sole licence holder who also finances the machines. Having a sole licence has also made the EGM system easier to monitor and control especially with the sunset clause allowing the community to be the ultimate controller. Moving to a system with say two licence holders instead of one wouldn't present problems but any transition to a system where all venues were licence holders and machine owners would present transitional difficulties and would no doubt permit the better resourced groups to continue their expansion plans. The needs of the smaller operators with one site are probably best served with an arrangement similar to the current system where machines are hired from the license owner. A second*

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<sup>165</sup> Op.cit. p. 6

*licence holder may have the flexibility to allow venue operators to own their machines.*<sup>166</sup>

## TAXATION

357. Mr Peter Hoult made a general observation regarding the debate around EGMs in Tasmania.

*My observations are that the debate around gaming and its primary focus is on electronic gaming machines in Tasmania, the electronic modalities, including keno. I think it has been awfully diverted by the focus on the revenues going to government, which I tried to articulate are almost irrelevant in the Tasmanian context. We're talking about amounts of funding going to government from problems gamblers, which is within the error factor Treasury has every day about the state's financial position. It is not that. It is, since 1993, one large enterprise and a number of small to medium enterprises have developed business models which depend on the revenue stream from electronic gaming. That is the difficulty we have here in Tasmania.*<sup>167</sup>

358. Mr John Lawrence made a similar comment in his written submission when he noted that '*...gaming taxes only account for 1% of general Government revenue. If changes to the gaming industry result in less tax the pain to government would be negligible*'.<sup>168</sup>

359. The Premier Hon Will Hodgman MP also confirmed the same figure during his evidence to the Committee.

*...on the issue of returns to government, the notion that governments are addicted to pokie revenues is unfounded when you consider the proportion of the state budget revenues that come from gaming activity. That is not to demean or diminish the size of the returns, but in the scheme of things, about 1 per cent of the state budget could not seriously be described as a government being dependent upon gaming returns. What constitutes a reasonable balance in that space, or*

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<sup>166</sup> Submission: Lawrence, p. 34-35

<sup>167</sup> Op.Cit. Mr Peter Hoult, p.41

<sup>168</sup> Op.Cit. p.35

*indeed revenue returns to players and/or the operators, can perhaps be best tested by reference to other jurisdictions.*<sup>169</sup>

### **EGM taxation arrangements**

360. Taxation determines how the financial revenues from the gaming industry are shared between industry and the Government.

361. The Ministerial statement on gaming included the following proposed policy position in relation to tax rates and licence fees:<sup>170</sup>

*...the tax rates and license fees for these machines [EGMs in hotels and clubs] are to be reviewed with a view to ensuring that returns to players, the licensed entity (or entities), venues and the community via the Government are appropriate and reflective of the broader Australian market. Our starting proposition is that the returns to hotels and clubs, and the community, should be at least in the same position they are today.*

362. Tax reform measures, particularly in relation to reforming the flat tax rate, have considerable support by many of the submissions to the Inquiry. There are a number of potential reforms that could be considered:

- changes to the overall effective tax rate;
- introduction of a scaled (progressive) tax system to replace the flat tax that currently applies;
- introducing differential tax rates or structures for EGMs in clubs, hotels and casinos; and
- adjusting the annual licence fees applicable to EGMs.

363. This section presents stakeholder views on each of the above tax reform options and compares Tasmania's tax arrangements with those adopted by other jurisdictions.

364. The evidence presented to this Inquiry indicates that tax revenue on EGMs in Tasmania is relatively low compared to other jurisdictions.

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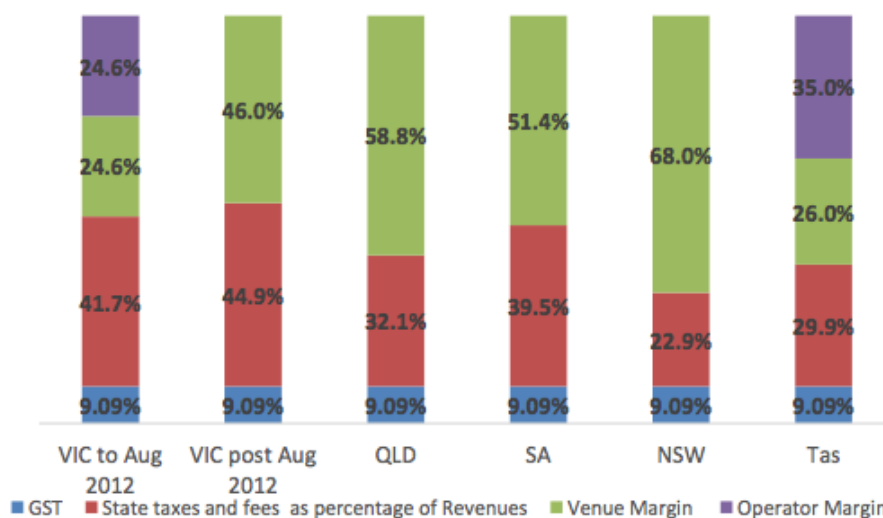
<sup>169</sup> Op.Cit. p.10

<sup>170</sup> Will Hodgman, Peter Gutwein (2016). Ministerial statement on gaming, 17 March 2016, p. 3



365. Tasmanian EGMs are taxed at a flat rate of 25.88% on annual gross profit (equivalent to player losses). This flat tax is applied to all EGMs across all venues, including casinos, clubs and hotels. The addition of a CSL of 4% brings the effective tax rate to 29.9%.
366. This is relatively low compared to effective tax rates applied in other states<sup>171</sup>. Victoria has an effective tax rate of 44.9%, Queensland 32.1% and South Australia 39.5%. Only NSW has a lower tax rate than Tasmania, which is set at 22.9% (all rates are exclusive of GST).
367. Given this, there may be justification for an increase in taxation rates as part of overall gaming tax reform. This would need to be considered in the context of changes to the tax structure.

**Figure 5** Revenue share of governments, venues and operators



**Data source:** Owen Gaming Research (2017) The Tasmanian Gaming Environment - Evaluation and Comparison, p. 11

## **Tax structure**

368. Tasmania is unique among Australian states and territories in having a flat tax rate. All other jurisdictions use a sliding scale, also referred to as a progressive tax structure (see tables 6 and 7 for a comparative summary of

<sup>171</sup> Effective tax rates are calculated as total EGM tax and fee revenue collected by state treasuries expressed as a percentage of total EGM revenue

the EGM tax arrangements that apply in other jurisdictions for hotels and clubs). This flat rate means that large operators with a concentration of EGMs derive particularly high returns relative to elsewhere in Australia, while small venues pay a proportionately higher share of profits in tax. It also creates a stronger incentive for large operators with a concentration of EGMs to maximise the returns from those sites (potentially undermining the effectiveness of harm minimisation strategies).

369. The key benefit of a flat tax structure is its simplicity, making it relatively easy to administer. Another benefit is the greater certainty it provides to venues as tax payable is a fixed rate regardless of the level of gross profit.

**Table 6 Hotels - taxation rates for EGMs (as at October 2016)**

<b>ACT</b>	<b>NSW</b>	<b>NT</b>	<b>QLD</b>	<b>SA</b>	<b>TAS</b>	<b>Vic</b>
25.9% of gross monthly EGM revenue.	Tax is levied on quarterly player loss from EGMs.	Based on monthly gross profits from EGMs:	35% of monthly taxable metered win (ie. amount bet less payout).	Tax based on annual net gambling revenue in a financial year.	A single flat tax rate of 25.88% applies to all gross profit on EGMs.	Hotel venue operators pay tax monthly. Tax payable is product of tax per EGM (calculated as below) and average number of gaming machines.
Problem Gambling Assistance Fund Levy of 0.6% of gross monthly EGM revenue	<b>Up to \$50,000:</b> 0% <b>\$50,000-\$250,000:</b> 33% <b>\$250,000-\$1.25m:</b> 36% <b>&gt;\$1.25m:</b> 50%	<b>\$0-\$10,000:</b> 12.91% <b>\$10,001-\$100,000:</b> 22.91% <b>\$100,001-\$200,000:</b> 32.91% <b>&gt;\$200,001:</b> 42.91%	Hotels also pay Health Services Levy.  Based on monthly taxable metered win (ie. amount bet less payout). Monthly Metered Win <b>\$0-\$100,000:</b> 0% <b>\$100,001-\$140,000:</b> 3.5% <b>\$140,001-\$180,000:</b> 5.5% <b>\$180,001-\$220,000:</b> 7.5% <b>\$220,001-\$260,000:</b> 13.5% <b>Over \$260,000:</b> 20% Note: These tax rates are post GST	<b>\$0-\$75,000:</b> 0% <b>\$75,001-\$399,000:</b> 27.5% of EGM revenue <b>\$399,001-\$945,000:</b> \$89,100 + 37% of EGM revenue <b>\$945,001-\$1.5m:</b> \$291,120 + 40.91% of EGM revenue <b>\$1.5m-\$2.5m:</b> \$518,170.5+47.5% of EGM revenue <b>\$2.5m-\$3.5m:</b> \$993,170.5+57% of EGM revenue <b>Over \$3.5m:</b> \$1,563,170.5+65% of EGM revenue	Community Support Levy of 4% of gaming revenues levied on gaming operator	Tax per EGM is determined by a progressive rate scale applying to monthly average revenue per EGM.  Marginal tax rates are for that part of the monthly average player loss which: <b>Does not exceed \$2,666:</b> 8.33% <b>Exceeds \$2,666 but does not exceed \$12,500:</b> 55.03% <b>Exceeds \$12,500:</b> 62.53%

**Source:** Information provided by Department of Treasury and Finance, correspondence dated 22 June 2017

**Table 7 Clubs - taxation rates for EGMs (as at October 2016)**

ACT	NSW	NT	QLD	SA	TAS	Vic
Tax is levied on gross monthly EGM revenue (player loss) as follows: <b>&lt;\$25,000:</b> 0% <b>\$25,000&lt;\$50,000:</b> 17% <b>\$50,000&lt;\$625,000:</b> 21% <b>&gt;\$625,000:</b> 23% <b>Unlawful:</b> 100% <b>Problem Gambling Assistance Fund</b> levy of 0.6% of gross monthly EGM revenue is applied	Tax is levied on quarterly player loss from EGMs. <b>Up to \$250,000:</b> 0% <b>\$250,000-\$450,000:</b> 28.05% <b>\$450,000-\$1.25m:</b> 18.05% <b>\$1.25m-\$2.5m:</b> 22.55% <b>\$2.5-\$5m:</b> 24.55% <b>&gt;\$5m:</b> 26.55% Clubs can apply to have their tax adjusted over an annual rate at the conclusion of the financial year under a different scale. (Note that the tax rates above do not take into account tax rebates under the ClubGRANTS scheme). From 1 September 2011, under the ClubGRANTS scheme, the marginal tax rate on clubs' earnings above \$1m will be decreased by 1.85% if a club contributes 1.85% of gaming revenue in excess of \$1m to eligible community projects, for categories 1 and 2. The maximum rebate under category 1 is 0.75% and under category 2 is 1.10%. From 1 September 2011, a third category was created, with a maximum rebate of 0.40%.	Based on monthly gross profits from EGMs: <b>\$0-\$10,000:</b> 12.91% <b>\$10,001-\$100,000:</b> 22.91% <b>\$100,001-\$200,000:</b> 32.91% <b>&gt;200,001:</b> 42.91%	Based on monthly taxable metered win (ie. amount bet less payout to players). Monthly Metered Win <b>\$0-\$9,500:</b> 0% <b>\$9,501-\$75,000:</b> 17.91% <b>\$75,001-\$150,000:</b> 20.91% <b>\$150,001-\$300,000:</b> 23.91% <b>\$300,001-\$850,000:</b> 25.91% <b>\$850,001-\$1,400,000:</b> 30.91% <b>Over \$1,400,000:</b> 35.00% Note: These tax rates are post GST	Tax based on annual net gambling revenue in a financial year. <b>\$0-\$75,000:</b> Nil <b>\$75,001-\$399,000:</b> 21% <b>\$399,001-\$945,000:</b> 28.5% <b>\$945,000-\$1.5m:</b> 30.91% <b>\$1.5m-\$2.5m:</b> 47% <b>\$2.5m-\$3.5m:</b> 47% <b>Over \$3.5m:</b> 55% These rates apply to all clubs and other not for profit licensees.	A single flat tax rate of 25.88% applies to all gross profit on EGMs. A community Support levy of 4% of gaming revenues is levied against the Gaming operator. Marginal tax rates are for that part of the monthly average player loss which: <b>Does not exceed \$2,666:</b> 0% <b>Exceeds \$2,666 but does not exceed \$12,500:</b> 46.7% <b>Exceeds \$12,500:</b> 54.20%	Club venue operators pay tax monthly. Tax payable is the product of tax per EGM (calculated as below) and the average number of EGMs. Tax per EGM is determined by a progressive rate scale applying monthly average revenue per EGM.

**Source:** Information provided by Department of Treasury and Finance, correspondence dated 22 June 2017

370. Flat tax rates also have several disadvantages:

- smaller, less profitable venues pay a proportionally larger share of profit from EGMs in tax than larger, more profitable venues.<sup>172</sup> This can constrain smaller venues from competing in the market and may also encourage more EGMs to be placed in areas of high demand, which to date have been lower socio economic areas (in this respect, a progressive tax could reduce EGM density in high use areas, thus supporting harm minimisation objectives);
- a flat tax can limit the scope of smaller, less profitable venues to undertake investment in upgrading facilities, further undermining competitiveness; and
- community-based clubs which operate on a not-for-profit basis and which provide services and support to the local community (for example, RSLs) will be particularly vulnerable. A taxation regime that disproportionately targets not-for-profit community organisation may adversely affect community welfare.

371. There is support from a number of stakeholders for the adoption of a tiered taxation scale. The Dixon Hotel Group submitted that, as occurs in other states, the tax rate in Tasmania should vary in line with the annual gaming revenue generated by the venue. Dixon Hotel Group suggested that small venues should be taxed at 5% and thereafter ranging through a variety of rates to a maximum of 60%.<sup>173</sup>

372. Similarly, the Tasmanian Hospitality Association believe that a sliding scale should be in place to allow smaller venues to operate profitably and allow them to invest more in their properties and, in turn, increase employment in regions.<sup>174</sup> However, ALH Group supports the existing tax structure, while emphasising the need for certainty over tax rates in order to encourage investment in venues and products.<sup>175</sup>

373. Mr Root of the Tasmanian Department of Treasury and Finance stated in public hearings that the flat tax rate for EGMs makes sense if you have a single licensee and a single operator (as is the case in Tasmania at present). Whether or not this is the case, Mr Root acknowledged that in an environment where, for example, the entitlements were able to be

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<sup>172</sup> This is because machines in high-use venues are more profitable than those in low-use areas (where profits are defined as net revenues over and above machine rental and other fixed costs and any variable operating costs).

<sup>173</sup> Op.Cit. p. 4

<sup>174</sup> Op.Cit. p. 2

<sup>175</sup> Op.Cit. p. 9

purchased by venue operators, there are arguments that would support a sliding scale.

374. Mr Steve Old from the THA was also questioned about the sliding scale option.

***Mr BACON** - Do you support a sliding scale of taxation to support the smaller operators?*

***Mr OLD** - I think that would probably be the only way you could do it. The regional venues have to be able to survive under any model and gaming has allowed some of them to survive. The one thing they have also been allowed to do is reinvest. It is not just reinvest in staff in the gaming area, it is about reinvesting and opening the restaurant seven nights a week. It is about the offering for the tourists who go up to Scottsdale.*

*Gaming is part of what the business does. It allows them to put those bits of profit into other areas of the business. For example, put more rooms in. One of the things we have at the moment in regional Tasmania is a shortage of beds, and we could get into the sharing economy if you want to do an inquiry into that one as well. We need those local pubs to invest in their room product if we are going to continue to grow the tourism numbers in Tasmania. Part of what allows venues to do that is the profit they make out of gaming and other parts of their business.<sup>176</sup>*

375. Mr Root further noted that the choice of flat or progressive taxation also depends on broader policy issues. For example, under a flat tax rate, a less popular venue or one in an area with few EGM players, will be financially worse off, than a more popular venue. However, for a venue such as an RSL that may be struggling there might be a policy goal to protect the venue or to deliver a social policy outcome (such as not having all EGMs in areas where people gamble the most, which may be lower socio-economic areas). He stated that you might adopt a sliding scale to ensure entitlements are viable wherever they are in the state and to deliver those sorts of outcomes.<sup>177</sup>

376. As part of this Inquiry, the Committee tasked the Department of Treasury and Finance to model the outcomes of a range of increasingly progressive

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<sup>176</sup> Op.Cit. Mr Steve Old, p. 76-77

<sup>177</sup> Op.Cit. p. 7

EGM taxation structures.<sup>178</sup> The analysis examined a scenario in which a venue operator model is introduced, such that excess returns currently enjoyed by Network Gaming are effectively redistributed to venues through lower cost of EGMs (and potentially shared with taxpayers). The objective of the analysis was to examine what adjustments to the taxation structure could be used to produce the following outcomes:

- venues to secure all the benefit from the reduced cost of EGMs; or
- the state to secure all the benefit, but with venues being no worse off; or
- the state and venues to share equally the benefit, so that both venues and the state are better off relative to the status quo.

377. The analysis demonstrates that any of the above outcomes can be achieved by introducing a progressive tax structure and adjusting the thresholds and tax rates for each bracket accordingly. Importantly, this analysis confirms that these measures can be adopted such that the returns to hotels and clubs (collectively), and the community, can be in a significantly enhanced position compared to where they are today.

### **Differential taxation across hotels and casinos**

378. Another issue to consider is whether the same tax rate should be applied to EGMs across all venues. Again, Tasmania is unique in this regard in applying a flat tax rate of 25.88% in all venues. Other jurisdictions apply different rates and sliding scales for different venues.

**Table 8 Tax rates on EGMs in casinos (2016)**

<b>Jurisdiction</b>	<b>EGM Gaming tax</b>	<b>Special levy</b>
ACT	10.9% of gross revenue	Nil
NSW	16.41% of gross revenue up to \$712.9m. For gross revenue between \$712.9m and \$837.8m, the tax rate increases progressively by one percentage point over 21 revenue bands. A top rate of 38.91% applies to revenue above \$837.8m The revenue bands, which were set at \$5m intervals in 2008-09 starting at \$600m are indexed annually using the Sydney CPI	Responsible Gambling Levy of 2% of gross gaming revenue
NT	Casino taxes calculated at the prescribed rate and are reduced by an amount equal to the GST. Skycity Darwin Casino: 15% of gross profit Lasseters Casino: 11% of gross profit	10% Community Benefit Levy
QLD	30% of monthly gross revenue for Gold Coast and Brisbane casinos and 20% of gross revenue for	Nil

<sup>178</sup> Tasmanian Department of Treasury and Finance, response to questions from Joint Select Committee Future Gaming Markets, 22 June 2017

Townsville and Cairns casinos		
SA	Maximum of 41% of net gambling revenue	Nil
TAS	A single flat tax rate of 25.88% applies to all gross profit	Nil
VIC	Regular Players: 31.57% of gross gaming revenue, plus a super tax of 1% for revenue up to \$20m over a base gaming revenue of \$993m, rising in 1% increments for each \$20m bracket to a maximum of 20% on gross gaming revenue over \$380m above the base amount. The base is adjusted annually to CPI	1% Community Benefit Levy
WA	12.42% flat rate of tax on gross gaming revenue	Burswood Park Levy of 2% of gross revenue

**Source:** Information provided by Department of Treasury and Finance, correspondence dated 22 June 2017

379. A comparative analysis of how EGMs are taxed in hotels compared to casinos in each jurisdiction is difficult because of the various tax scales used, the different charging bases used (some use net gaming revenue and others use gross revenue) and licence fees and special levies that apply.<sup>179</sup>

380. However, the following observations can be made:

- ACT, SA, WA casinos apply a flat tax rate to EGMs (10.9% of gross revenue, 41.0% of net revenue, and 12.42% on gross revenue, respectively)
- NSW and Victorian casinos are taxed using a sliding scale. In NSW a tax rate of 16.41% of gross annual revenue applies up to the first \$712.9 million. In Victoria, a tax rate of 31.57% of gross revenue applies up to the first \$993 million.
- In Queensland, lower taxation rates apply to EGMs in the regional casinos of Cairns and Townsville compared to Brisbane and the Gold Coast (20% of gross revenue compared to 30%).
- NSW, Victorian and NT casinos are levied a community benefit levy (NSW's Responsible Gambling Levy is set at 2% of gross gaming revenue, Victorian casinos pay a Community Benefit Levy of 1% of gross gaming revenue and NT casinos pay a levy of 10% of gross revenue).
- It appears that EGMs in hotels in several jurisdictions are taxed at a higher rate than EGMs in casinos, at least at the highest revenue bands. However, this differential does not take into account casino licence fees, which are typically higher than those that apply to hotels.

<sup>179</sup> Ideally, to allow a like-for-like comparison of the level of taxation applied to each venue by each jurisdiction, effective tax rates should be calculated (based on total EGM tax, levy and fee revenue collected by the state for a particular venue type, divided by the total EGM revenues). This analysis has not been undertaken due to data limitations.



381. The Federal Group contend that the lower tax rates used by Queensland in its regional casinos provide a model for Tasmania, given the comparable size of the market.<sup>180</sup>
382. Clubs Australia submitted that the current taxation framework does not sufficiently take account of the differences between clubs and hotels, in particular, the significant social and economic benefits the club industry provides to local communities.<sup>181</sup>
383. Mr Root of the Department of Treasury and Finance noted in public hearings that there are a range of considerations when looking at what taxation levels are appropriate, including a large number of policy choices about harm minimisation, location of EGMs and how the value inherent in the entitlement to operate an EGM is captured by the Government. He noted this could be done via upfront fees and lower ongoing rates, or through ongoing rates. Mr Root noted that there were a number of trade-offs between these elements.<sup>182</sup>

### **Keno Tax Arrangements**

384. The tax rate on Keno gaming in Tasmania is legislated in section 150(2A) of the *Gaming Control Act 1993*. The present tax rate is 5.88% of gross profit. This rate represents the lowest tax rate for Keno gaming in Australia. (Table 9 provides a comparative summary)

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<sup>180</sup> Op.Cit. p. 70-71

<sup>181</sup> Written submission, Clubs Australia, p. 13

<sup>182</sup> Op.Cit. p. 5-6

**Table 9 Keno - taxation rates**

ACT	NSW	NT	QLD	SA	TAS	Vic	WA
<b>Tabcorp Keno:</b> 2.53% of turnover	<b>For Keno played in registered clubs and casino:</b> For all games of Keno including Heads or Tails 8.91% of player loss where player loss is less than or equal to \$86.5m, and 14.91% of player loss thereafter.  <b>For Keno played in hotels:</b> For all games of Keno including Heads or Tails 8.91% of player loss where player loss is less than or equal to \$37.7m, and 14.91% of player loss thereafter.	<b>NT Keno:</b> 10% on gross profit. (Tax payable is calculated at the prescribed rate and reduced by the GST amount)	<b>Jupiters Keno (statewide):</b> 29.40% of monthly gross revenue, after deducting casino commissions. GST credit provided. For Gold Coast and Brisbane casinos 20% of monthly gross revenue on Keno. For Townsville and Cairns casinos 10% of gross revenue on Keno.	<b>SA Lotteries Keno:</b> 41% of net gambling revenue is paid into the Hospitals Fund.	<b>TAS Keno:</b> 5.88% of gross profit.	<b>Keno:</b> 24.24% of player loss, subject to a minimum player return of 75%.	<b>Keno (only available at Crown Perth):</b> Domestic: 9.37% of player loss. International Business: 1.75% of player loss.

**Source:** Information provided by Department of Treasury and Finance, correspondence dated 22 June 2017

385. While on face value Tasmania's Keno tax appears lower than that levied by the Australian Capital Territory, the ACT's rate of 2.53% is calculated on turnover as opposed to gross profit. The equivalent percentage of gross profit for example, given a return to player of 75%, is 10.12%.

386. The Keno tax rate in Tasmania is also significantly less than that applied to EGMs (where taxes and levies are 30% of player losses). Commissions paid to Keno operators are also lower at 21% of losses compared to 30% for EGMs.

387. Mr John Lawrence submitted that there was no prima facie reason why Keno tax and commission rates should be so much lower than for EGMs. He noted that, with Keno's increasing share of the declining gambling revenue and with lesser commission rates and a tax rate one-fifth of that applying to EGMs, it had become a good income source for Federal Hotels.<sup>183</sup>

388. The tax rate on Keno gaming in Tasmania is legislated in section 150(2A) of the *Gaming Control Act 1993*. The present tax rate is 5.88% of gross profit. While taxes are levied on a different basis in some jurisdictions, this rate represents the lowest tax rate for Keno gaming in Australia against comparable measures. (Table 10). Measures on which tax is based include:

- Turnover (ACT) – this represent the total amount spent on games;
- Gross profit (NT, Tasmania) – this represents turnover minus player winnings, and is equivalent to player losses (NSW, Victoria, WA);

<sup>183</sup> Op.Cit. p. 35

- Net gambling revenue (SA) – total revenue minus costs.
389. Comparing the tax rate on Keno in Tasmania with states that use a comparable measure (NT, NSW, Victoria, WA), the Tasmanian rate of 5.88% is low compared to comparable States, where tax rates on Keno range from around 9% to 24% of player losses/gross profits. Similarly, when the ACT's rate of 2.53% is converted to an equivalent percentage of gross profit, given a return to player of 75%, the comparable tax rate is 10.12%.
390. Keno is a relatively low cost game with high rewards for the licensee, and so should be able to support higher rates of tax. There is merit in there continuing to be a single operator in Tasmania based on Treasury advice.
391. The Committee is aware that this right could be the subject of a competitive tendering arrangement, and if that was to pass, then the tax rates underpinning the tender should match the average of those applying to Keno interstate to ensure the Tasmanian Government (and community) receive a sufficient share of revenues from Keno (noting that in a competitive tender the bids will reflect the margins and profits tenderers expect to be able to earn, net of taxes).
392. If the Government's policy is to maintain Federal Group's monopoly in the absence of a tender, then to ensure the Tasmanian Government (and community) receive a sufficient share of revenues from Keno, it was suggested by Synergies Economic Consulting that the Committee consider that tax rates should be set at the upper end of the range of Australian jurisdictions. The Committee considers that the commission paid to operators should reflect those elsewhere in Australia.
393. The CSL does not apply to Keno, either within or outside the casino environment. This may be appropriate, to the extent that Keno is less associated with problem gambling compared to EGMs.

### **Casino Tax Arrangements**

394. The Federal Group has exclusive rights to conduct casino operations and operate EGMs in Tasmania. The following taxes apply, charged on gross profit earned in a financial year:
- Table games are taxed at 0.88% of annual gross profit;
  - Keno at 5.88% of annual gross profit; and
  - EGMs at 25.88% of gross profit.

395. Casinos also are required to pay a licence fee of \$150,000 per month, indexed annually. Casinos are exempt from paying the Community Support Levy (which only applies to EGMs in clubs and hotels).
396. Mr John Lawrence notes that gross income after taxes and licence fees was only \$6 million in 2015 and, after costs, probably not much above zero.<sup>184</sup> As can be seen from Table 11, the basis of taxation of table gaming varies between jurisdictions. However, it is clear that the table gaming tax rate for Tasmania of 0.88% is low relative to comparable jurisdictions (NSW: 16.41%-38.9%; Victoria – 21.25% plus super tax). In Queensland, regional casinos have lower tax rates applying, with 10% of gross revenue on table games and fully automated table games (FATGs) applying at Townsville and Cairns casinos, compared to 20% for Brisbane and Gold Coast casinos. Thus it could be argued that the taxation of table games is not significant in Tasmania.

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<sup>184</sup> Op.Cit. p. 26

**Table 10 Taxation of table games in casinos**

NSW	Vic	Qld	WA	SA	Tas	NT
<p>For 2015-16, a base rate of 16.41% applies to gross revenue (ie player loss) from table games and EGMs up to \$712.9m. For gross revenue between \$712.9m and \$837.8m the tax rate increases progressively by one percentage point over 21 revenue bands. A top rate of 38.91% applies to revenue above \$837.8m</p> <p>The revenue bands which were set at \$5m intervals in 2008-09 starting at \$600m are indexed annually using the Sydney (All Groups) CPI and rounded up to the nearest \$100,000.</p>	<p>21.25% of gross gaming revenue from table games, plus a 1% Community Benefit Levy, plus super tax.</p> <p>Super tax: A tax on gross gaming revenue (gaming machines plus table games) above the base amount.</p> <p>The 2014-15 base is \$933m. The base is adjusted annually to CPI.</p> <p>Tax rate is 1% for revenue up to \$20m over the base amount, rising in 1% increments for each \$20m bracket to a maximum of 20% on gross gaming revenue over \$380m above the base amount</p>	<p>From 1 July 2009 20% of monthly gross revenue on table games, Keno and fully automated versions of table games (FATGs) for Gold Coast and Brisbane casinos and 10% of gross revenue on tables games, Keno and GATGs for Townsville and Cairns casinos.</p>	<p>Rates have been lowered in return for the cessation of GST reimbursement to Crown Casino.</p> <p>FATGs: 12.92%</p> <p>Table games and Keno: Domestic 9.37%; International Business: 1.75%.</p>	<p>Automated table games: 10.91% of net gambling revenue.</p> <p>Table games (incl. automated) at 3.41% of net gambling revenue.</p>	<p>Table games: 0.88% of annual gross profit</p>	<p>Casino taxes calculated at prescribed rate and are reduced by an amount equal to the GST.</p> <p>Skycity Darwin Casino: Table games: The GST rate</p> <p>Lasseters Casino: Table games: The GST rate</p>
<b>Casino 'high roller'/premium gaming</b>						
<p>The agreed tax rate is 10% with a minimum of \$6m paid in two non-refundable instalments of \$3m in January and July each year.</p> <p>The NSW Govt is required to pay casino a rebate on gross amount of GST paid on the program</p>	<p>Commission-based Players (CBP): 9% of CBP gaming revenue from dedicated gaming tables, plus a 1% Community Benefit</p>	<p>Junkets (Premium players): 10% of monthly gross gaming revenue. (Gross gaming revenue equates to amount bet less amount won by players). GST credit provided</p>	<p>International Commission Business (ICB): 1.75%</p>	<p>Premium table games (incl automated): 0.91% of net gambling revenue.</p>	<p>Table Gaming: 0.88% of gross profit.</p>	<p>Commission-based Games: the GST rate</p>

**Source:** NSW Treasury, Interstate Comparison of Taxes 2015-16. Research and Information Paper, March 2016, p. 38-39

397. Federal has argued that regional casinos in other states are a better comparison for Tasmania's casinos given similarities in their markets in terms of size and population base. Federal provided a different perspective on selective comparative regional casino tax rates which is outlined on Table 7 on page 71 of their submission.
398. Based upon information provided by the Department of Treasury and Finance, the Committee believes that an opportunity exists to increase taxation rates on table games in Tasmania to be more in line with other jurisdictions.
399. Tasmanian casinos have enjoyed a long period of exclusivity on a State wide basis and consequential incumbency and are not competing against interstate regional casinos for the table gaming market.
400. There is an argument that the Federal Group has enjoyed the financial benefits of this incumbency over a long period. However, as a guide, the rates for Tasmanian casino table gaming should be at least as much as other regional casinos.

#### **Other Taxation Considerations**

401. Ms Jeannette Barnes, General Manager of Operations and Mr Phil Dowling, Manager Policy and Projects from the Independent Gambling Authority in South Australia provided some further elaboration on the tax in South Australia.

***Ms RATTRAY** - First, how does South Australia assess the harm of gaming machines in the state? How is that harm minimisation funded? How are the programs funded? Is it a percentage? We heard yesterday that South Australia has already been proactive and you have a levy - you have a point-of-sale tax on online gaming.*

***Ms BARNES** - A point-of-consumption tax; that is right.*

***Ms RATTRAY** - A tax of 15 per cent, which is -*

***Ms BARNES** - I can only speak in broad terms about the Gamblers' Rehabilitation Fund. I am not sure if anyone has spoken to you about that yet.*

***Ms RATTRAY** - No, but we have someone next who might be able to fill us in if you are not across that. That is fine.*

**Ms BARNES** - Okay. The Gamblers' Rehabilitation Fund funds gambling help services, if you have any more detail about that. That is funded through contributions from industry.

**Mr DOWLING** - And the Gambling Helpline.

**Ms RATTRAY** - Do you know if it is a percentage?

**Ms BARNES** - I am not sure of the breakdown of that, I am sorry.

**Ms RATTRAY** - That is fine, we will ask.

**Mr ARMSTRONG** - From the gambling industry?

**Ms BARNES** - Yes.

**Ms RATTRAY** - Funded by industry.

**Ms BARNES** - That is managed through a third organisation that is involved with dealing with problem gambling, the Office for Problem Gambling, which sits within the Department for Communities and Social Inclusion. It does not have a regulatory role in managing the industry but it looks after the Gamblers' Rehabilitation Fund. It also manages the contract for the gambling help services. That is put out for tender. It just recently went through that process late last year. It manages the contract for the gambling help service providers.<sup>185</sup>

402. Mr Mark Henley from Uniting Communities in South Australia provided similar comments.

**Ms RATTRAY** - Can you expand on what the point of sales tax is in South Australia? I am not aware

**Mr HENLEY** - It is for online gambling. For a person who places an online bet through any of the online betting agencies - William Hills, or Ladbrokes, or Metro 365, Tattsbet or Sportsbet, or any of them -

**Ms RATTRAY** - Tom Waterhouse?

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<sup>185</sup> Op.Cit. p. 13-14

**Mr HENLEY** - *I did not want to mention Tom. For any of those companies, it is a 15 per cent tax at point of sale. It was introduced by the South Australian Government in May last year in the state budget. That is where the documentation would be. I am sure the Treasurer would be more than happy to sing his praises.*<sup>186</sup>

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<sup>186</sup> Op.Cit. Mr Mark Henley, p. 6



TERM OF REFERENCE G - Consideration of the duration and term of licences for the various gaming activities post 2023
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403. Under this term of reference, the duration and term of licenses for EGMs, Keno and casino operations has been considered.

**EGMs**

404. If a venue operator model is introduced to Tasmania, decisions will need to be made about the duration of licenses.

405. Under the venue operator model adopted in other states, EGM licenses are predominantly granted in perpetuity. This is the case for South Australia, New South Wales and Queensland. Victoria is the exception, with licences granted in 2012 for a period of 10 years.

406. There are two main considerations in setting the term of a licence:

- *Policy flexibility* – a shorter term will allow greater flexibility for implementing policy changes in future, such as the option to withdraw EGM entitlements from the market or to impose new conditions in response to changing circumstances.
- *Investment certainty* – a longer term for the licence will give the owner greater certainty over future business returns. This may also help financing the purchase of the entitlement. The longer the term, the higher the value of the entitlement.

407. A fixed term licence, with potential for renewal, would provide greater policy flexibility, including allowing a mechanism to reduce the number of EGMs over time (eg there could be a requirement to relinquish 1 EGM license for every renewal of 9 EGM licenses). However, considerable care must be taken with this approach. The Committee considers that the worst of all outcomes will be a situation where there is uncertainty over the terms of licence renewal – venues will not have confidence to invest and there will be differing views circulating and expectations formed about the basis of renewal.

408. The THA was asked about the duration of licenses and provided the following

**Mr BACON** - *Do you have a view on the long-term future of gaming machines?*

***Mr OLD** - Post 2023, we would like to see some sort of agreement that is the same length as the casino, or in perpetuity which would be, we would hope, a 15 or 20 year agreement on where the next cycle is. The industry needs certainty. If they are going to go to banks or reinvest in the industry, they need certainty of length of licence for their gaming. Where would we see it in 30 years? If you take the fact the licence doesn't run out until 2023, you would hope there is probably a minimum, say 20 years, of the next licence. In 30 years we would probably be sitting in this same room.<sup>187</sup>*

409. In contrast, a perpetual licence would give the venue the greatest control over their future business revenue, improving certainty and returns. This may in turn have beneficial effects in terms of providing sufficient investment certainty so as to be able to underpin future investments in upgrading facilities. The option of a perpetual licence is the model that has been suggested by the Federal Group to provide it with certainty into the future.
410. The Committee noted the Hodgman Government's principle that the duration of a licence should be commensurate with, among other things, the level of investment necessary to underpin the delivery of the gaming operation.
411. Evidence provided to the Committee indicated that the life of an EGM is rarely greater than 10 years so a license term of this period could apply without adversely affecting investment.

### **EGM License Transfers**

412. A feature of venue operator models is that the opportunity exists for trading of EGM licenses over time. Trading allows individual venues to respond to changing market circumstances by either selling or purchasing EGM licenses. The benefit that may be realised will depend on the maturity of the market (how much turnover there is in licenses) and the depth of the market (how many licenses are on the market at any particular time).
413. EGM license trading is a feature of all other states. Some of these are centrally operated, with the government running periodic tender processes (South Australia, Queensland). These markets are characterised by the

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<sup>187</sup> Op.Cit. Mr Steve Old, p. 77

central agency pooling licenses from willing sellers, and matching offers to sell with bids to buy.

414. New South Wales and Victoria have market-based schemes in which venues trade directly with each other. It may be that, for a small market like Tasmania, a centrally run scheme will be more cost effective given the scale and depth of the market.
415. It is also possible to harness the transfer process to achieve public policy objectives. For example, schemes in other states include:
- some form of 'location test' to ensure a proposed trade will not give rise to adverse social impacts;
  - clawback mechanisms, whereby a number of licences are retired from the pool each time a tender is operated (with ownership being transferred back to the state);
  - ownership restrictions – for example, Victoria specifies that no-one can hold more than 35% of hotel EGM entitlements and no-one can hold more than 420 club EGM entitlements;
  - locational caps may be placed on transfers if there is a policy objective of limiting the availability of EGMs in certain areas; and
  - stamp duty on transfers, which provide a return to the state.
416. A summary of the key elements of trading systems for EGM licences in various jurisdictions is given in Table 12 on the following page.

**Table 11 Key features of EGM licences and trading in other jurisdictions**

	South Australia	NSW	Victoria	Queensland
State-wide cap	Target=13,081, inclusive of casino entitlements of up to 1,500 EGMs	Target=97,500 for clubs and hotels	Target=27,000 for clubs and hotels	Clubs cap=24,705. Can trade entitlements across state. Hotels cap=19,320, may only trade entitlements within the LGA of the seller
Venue caps	Hotels and clubs = 40	Hotels = 30 Club cap determined by floor space	Hotels and clubs = 105	Hotels = 45 Clubs = 300
Tenure of entitlement	Perpetual	Perpetual	10 years	Perpetual
Operation of scheme	Centralised, government-operated trading rounds Of every 4 entitlements sold, one entitlement is cancelled	Venue-to-venue trades Of every 3 hotel entitlement sold, one entitlement is cancelled if outside the same local government area as the transferring hotel	Venue-to-venue trades. Any gaming machine entitlement available for transfer must be advertised on the transfer market website maintained by the Victorian Commission for Gambling and Liquor Regulation Tradeable at any time	Centralised trading system operated by Public Trustee. 33% of sale price of hotel entitlements paid to state. Proceeds of sale, less an administration fee, is paid to the state on club entitlements sold.
Pricing	Tender dates are set by State Government. Buyers and sellers submit bids, based lowest sale price and highest purchase price each would pay respectively. On tender date, bids and offers are matched through a clearing house mechanism.	Initially auctioned to hotels in 1998 for a cost of \$50,000 each. Now the hotel trading scheme is market based, with no payment to government. Clubs do not pay for the issuance of entitlements.	27,300 initially auctioned to venues in 2010 at a sale price of \$980 million Prices of subsequent trades are market-based	Tender dates and minimum prices are set by Public Trustee. Minimum prices are not disclosed. Tender operates on market based bids. Those above the minimum price set are awarded from highest tender to lowest.
Current pricing	In the latest Rounds, Purchasers paid \$34k, sellers received \$27k.	Recent advertised prices for single country entitlements at \$155,000+ GST, Country to City Block of \$365,000 + GST	'Arms length' transactions, \$30 for hotels and \$5k for clubs. Many transactions are between related parties and the sale prices not necessarily reflective of fair market value.	Last tender for hotels saw South East \$120,746, Coastal \$65,742 and Western \$52,553. Community fund contribution was \$812,116. Club EGM tender dated 27 April 2016 had average price of \$5,372. Contribution to Community fund was \$1,255,036.
Social impact assessments	Social Effect Inquiry may be required, depending on increase sought and at the Commission's discretion.	Required for most new or additional EGMs	Economic and Social Impact Assessment required for new premises. Caps apply for each district in the state. Transfers within districts allowed. Every venue must lodge a Community Benefit Statement annually.	Community Impact Statement required for all new venues, and for hotel EGM increases of 10 or more, and club EGM increase of 20 or more

**Source:** Owen, J. The Tasmanian Gaming Environment, Evaluation and Comparison, p.14

## **Reductions to the EGM licence cap over time**

417. In relation to overall EGM numbers from 2023 onwards, the Tasmanian Government's policy position is that the current statewide EGM cap of 3,680 will be decreased to 3,530 machines. This is a reduction of 150 machines.

418. The decrease of 150 EGMs is only 30 fewer than are presently operating in Tasmania's venues today because there are approximately 120 EGMs currently unallocated.

419. If a future Tasmanian Government were to decide to introduce further reductions to the cap, it would be desirable to craft new market

arrangements that include a mechanism (or mechanisms) to facilitate this outcome. It would also be important to build in future flexibility to allow for future reduction in EGMs should the need arise.

420. Policy levers to achieve reductions in EGMs over time include:

- time-limited licenses, which would allow the opportunity for the government to remove licenses from the market on expiry. Depending on how this approach operates it may necessitate the continual tendering of licenses;
- a mechanism allowing the government to 'step in' to the market and buy-back entitlements. The circumstances around such a right would need to be transparent from the commencement of the new arrangements and would be linked to harm minimisation;
- the retirement of a fixed proportion of licences from the market each time a trading round is operated or upon license renewal – for example, one licence retired for every four sold (as is the case in South Australia) or for license renewal (which has not been pursued in other jurisdictions); and
- introduction of progressive taxation (sliding tax scale), which would make EGMs in 'high use' areas relatively less profitable than under the existing flat tax, and therefore possibly result in some reduction in the density of EGMs in these areas.

421. Chair of the Victorian Interchurch Gambling Taskforce Dr Mark Zirnsak commented on the experience in New Zealand regarding the greater involvement of Councils in EGM management and the concept of setting sinking lids.

*We have looked at the New Zealand model for managing electronic gaming machines. In New Zealand, local councils have the ability to set policies about the presence of EGMs. They are not committed to have them all removed, but they have been permitted to set sinking lids, which most local councils have availed themselves of. That means over time, you have seen a reduction in machines. Now the industry in that regime has the ability to try to argue with the local council they can provide benefits. If they can persuade the local council that is the case and effectively the local council is being responsible to its ratepayers. So effectively, industry could persuade ratepayers there were benefits, and the policy could allow them to expand machines potentially. The reality has been most local councils in New Zealand*

*have decided to go with the sinking lid policy in response to what the ratepayers want.*<sup>188</sup>

422. These measures would clearly have implications for investment risk for entitlement holders. As such, further detailed consideration would need to be given around how such a mechanism would operate.

### **Keno**

423. Keno was first introduced in Tasmania in 1990, where it was located at the Wrest Point and Launceston Country Club casinos. In 1993 the Federal Group entered into a 15 year Deed with the Tasmanian Government, which granted Federal Group exclusivity in relation to the operation of casinos, EGMs and Keno.
424. In 1994 Keno was introduced in hotels and clubs, several years ahead of the rollout of EGMs to these venues. The game is now played in 167 venues across Tasmania and is the second most popular form of gambling after lotteries, with an estimated 26% of the adult population playing the game.
425. Keno is currently regulated under the terms of the 2003 Deed between Federal Group and the Government, which is attached to the *Gaming Control Act 1993*. The 2003 Deed gives the Federal Group the exclusive right to operate EGMs, Keno and casino table games in Tasmania until 30 June 2023.
426. The Tasmanian Government has set out its proposed policy position in relation to Keno in its 2016 Ministerial statement on gaming:<sup>189</sup>
- in relation to casino and Keno operators, the right to conduct gaming in the existing casinos, including EGMs and table gaming and the operation of Keno are to remain with the Federal Group, subject to the standard probity and regulatory performance arrangements and satisfactory negotiations regarding term as well as taxation and licence fee arrangements;
  - tax rates and licence fees for casino gaming and Keno are to be reviewed against the broader Australian market with a view to ensuring that returns to players, the licensed entity and the community via the Government are appropriate.

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<sup>188</sup> Op.Cit. Mr Mark Zirnsak, p. 29

<sup>189</sup> Op.Cit.

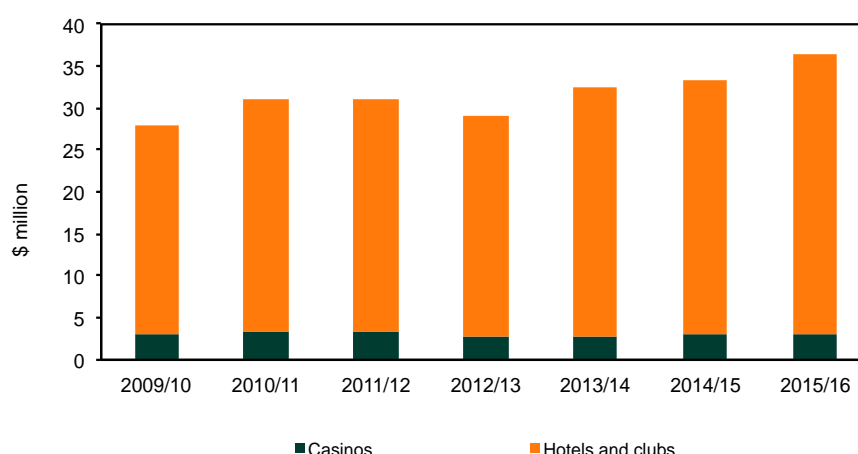
427. The remainder of this section examines several issues pertaining to Keno and some potential reform options relating to contestability for the rights to operate the game, taxation, and license fee.

### **Expenditure on Keno**

428. Unlike EGM gaming, expenditure on Keno has been relatively stable over time, particularly in casinos. The majority of Keno revenue comes from facilities located in hotels and clubs (Figure 6). In 2015-16, total player losses amounted to \$36.4 million, of which 91% was from hotels and clubs.

429. There has been a steady increase in Keno expenditure (in nominal terms) in hotels and clubs since 2009-10.

**Figure 6** Keno expenditure in Tasmania, \$million (nominal)



Data source: Submission to Inquiry from Federal Group, p. 42-43

430. Over the period 2004 to 2016, Keno accounted for 11% of gaming losses in Tasmania, compared to 85% for EGMs and 4% for table games. In 2015-16, the share of gaming losses attributable to Keno was 13%. Mr John Lawrence estimates that Federal Group, through its operation of Network Gaming and casinos, earned \$26.1 million from Keno in 2016.<sup>190</sup>

431. Tasmania's per capita expenditure on Keno is the highest in Australia, estimated to be \$83.17 per capita (2014-15). By comparison, per capita expenditure in the Northern Territory is \$78.70 and the next highest is in Queensland, at \$28.28.<sup>191</sup>

<sup>190</sup> Op.Cit. p. 25

<sup>191</sup> Information provided by Department of Treasury and Finance, p. 23.

## **Exclusivity**

432. The Government's proposed policy position as outlined in the 2023 Framework and the Ministerial Statement is for Federal Group to retain the exclusive rights to operate Keno in Tasmania.
433. With stable expenditures on Keno relative to declining spend on gambling more generally in Tasmania, Keno appears to provide a favourable product for the licensee. As Mr Lawrence notes, with Keno's increasing share of the declining gambling revenue and with lesser commission and tax rates, Keno has become 'quite a nice littler earner for Federal Hotels'.<sup>192</sup>
434. Data presented elsewhere in this report demonstrates that Keno appears to be less associated with problem gambling compared to EGMs, so concerns about the effectiveness of monitoring and harm minimisation measures may be less (although we note these can be addressed via tender requirements).
435. Mr Root, representing the Department of Treasury and Finance, stated in public hearings that Keno is not a product that is amenable to having lots of different operators, as it is essentially a lottery that relies on a network pool. He therefore considered it makes sense to limit the number of providers.<sup>193</sup> Given this, should it be decided to put the right to operate the Keno network to open tender, it may be best done as a single network and not as multiple licences to multiple providers.
436. The opportunity exists for Keno to be licenced separately under new governance arrangements. As with EGMs, the rights to operate Keno in Tasmania could be put to open tender. This would provide the opportunity for the State (and hence the Tasmanian community) to receive the maximum return on this entitlement.
437. The Committee acknowledges the Ministerial Statement that Federal Group's exclusivity in conducting Keno should remain in casinos and in practice this means that the exclusivity is likely to extend to all venues in the State, unless there is a desire to tender the right to operate Keno on a State wide basis. Irrespective of whether exclusivity is maintained, a key issue surrounds the future taxation arrangements applying to Keno.

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<sup>192</sup> Op.Cit. p. 35

<sup>193</sup> Op.Cit. p. 19



### **Licence fee**

438. The licence fee paid for the right to operate the Keno network is another key issue. Historically, this has been a matter for negotiation between the Tasmanian Government of the day and Federal Group.
439. At present, the annual licence fee for Keno paid by Federal Group in Tasmania is set at \$1,085 per license, the same as that for EGMs. It is difficult to make interstate comparisons of annual licence fees for Keno specifically as the licence fee is typically just one part of a bundle of arrangements that apply to each casino, including taxation arrangements, term of licences and revenue streams to Government from secondary trading of licences. These arrangements will reflect the particular circumstances of each jurisdiction and the policy objectives of their Governments. In addition, Federal Group's exclusive right to run Keno throughout Tasmania is a unique arrangement, further complicating comparisons.
440. For these reasons, interstate comparisons of Government revenue attributable to Keno licences specifically are problematic. However, if the right to operate the Keno network is put to tender, the licence fee will be one parameter that will influence the market price.

### **Casinos**

441. Tasmania currently has two casinos: Wrest Point Hotel and the Country Club Casino. Both of these venues are owned and operated by the Federal Group, under exclusive licence from the Tasmanian Government. Under the current (2003) Deed, the Federal Group has the exclusive right to operate EGMs, Keno and casino table games in Tasmania until at least 30 June 2023.
442. Mr David Walsh proposed in late 2014 to develop a 'high roller, non-residential' casino at MONA. The Tasmanian Government considered this proposal in conjunction with a separate proposal from Federal Group to extend its current business model to underpin investment. Mr Walsh subsequently withdrew his proposal, indicating that he was not prepared to be a party to an arrangement that extended the Federal Group's EGM monopoly.<sup>194</sup>

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<sup>194</sup> Op.Cit. p. 1-2

443. The Government's Ministerial statement on gaming sets out the Government's policy position on casinos:

- limited new 'high roller, non-residential' casino licences should be available in Tasmania in addition to the Federal Group's two casinos. The Government's view is that, in the first instance, Mr Walsh be afforded the opportunity to apply for such a licence. If that licence opportunity was taken up, subject to Mr Walsh meeting necessary licensing and probity processes, one additional licence could be made available for a location in the North of the state, should there be market demand for such a casino.
- the rights to conduct gaming in the existing casinos including EGMs and table gaming and the operation of Keno are to remain with the Federal Group, subject to standard probity and regulatory performance arrangements and satisfactory negotiations regarding the terms as well as taxation and licence fee arrangements. The Government noted that, given Federal Group's history in Tasmania as a very good corporate citizen and a sound casino operator, it sees no basis to change this arrangement.
- tax rates and licence fees for casino gaming should be reviewed against the broader Australian market, with a view to ensuring that returns to players, the licenced entity and the community are appropriate.

444. The remainder of this section examines several regulatory issues pertaining to Tasmanian Casinos and potential reforms, post 2023.

445. The issues associated with the current exclusive casino licence primarily relate to getting the balance right from the Tasmanian community's perspective between ensuring an appropriate return to the community from the exclusive licence and ensuring the term and conditions of the licence are sufficient to support sustainable casino operations by Federal, including any future required investments. The key elements of this are the tax paid by the casino licensee and the licence fee paid. The latter is negotiated between the Tasmanian Government and the Federal Group.

446. *Note: MONA owner Mr David Walsh was contacted on several occasions and invited to meet with the Committee as part of the inquiry process to discuss his proposal for a high roller casino and his comments on EGMs. He declined the invitation and as such, the Committee has been confined to his brief written comments on the issue of EGMs as part of the Rein in the Pokies submission.*

## **Exclusivity**

447. By 2023, the Federal Group will have enjoyed an exclusivity arrangement for over 50 years, to considerable financial benefit. The Committee acknowledges that it is widely acknowledged that the Federal Group has been a good corporate citizen in Tasmania and good casino operator.
448. It should be open to the Tasmanian Government to sell or grant a new casino licence in future if it wishes to do so, and it is unnecessary to constrain this policy flexibility in the new gaming market arrangements. As noted above, the Government has flagged in its Ministerial Statement on gaming that it proposes to introduce limited new 'high roller, non-residential' casino licences in addition to the Federal Group's two casinos. This will introduce an element of greater risk for Federal Group, however, it is noted the extensive benefits Federal Group has had to date from prolonged guarantees of exclusivity.

## **Licence fee**

449. Casinos in Tasmania are required to pay a licence fee of \$150,000 per month, or \$1.8 million annually. The value of the licence for the post-2023 period will reflect the term of the licence and the conditions attached. Licence fees vary across jurisdictions, reflecting the range of measures that affect the value of the entitlement, such as taxation arrangements, term of licence etc. For example, in NSW the casino has an exclusivity agreement for 12 years for a fee of \$100m; in Queensland, it is \$229,800 per quarter (\$919,200 annually), indexed; WA is \$2.73m indexed annually; NT has no licence fee).<sup>195</sup> While noting that the different bundle of arrangements applying to casinos in each jurisdiction will influence the licence fee, the Tasmanian casino licence fee is broadly comparable to many other jurisdictions.
450. The Federal Group provided further information on the question of license fees in its submission.
- *Federal Group agrees with retaining licences for Keno and the two casinos; although notes the need for amended tax rates, amended licence fees and appropriate licence terms and duration*

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<sup>195</sup> NSW Treasury, Interstate Comparison of Taxes 2015-16. Research and Information Paper, March 2016, p. 38

- *Federal Group agrees that the EGM tax rates and licence fees need to be reviewed and brought into line with other regional mainland casinos.*<sup>196</sup>

451. If there is to be exclusivity, the term of the exclusive licence will be an important factor in determining the value of the licence fee. The longer the term, the higher the value of the fee Federal Group should expect to pay. Conversely, a shorter term should warrant a lower value licence fee. In effect, the annual fee should be set as a proxy for what the licence would be worth on an annualised basis if the right was put to tender in the market place.
452. The fee should also be set with reference to whether or not the licence is to be exclusive.
453. A key benefit of a longer term is that it gives the licence holder greater certainty over future revenues. This in turn can help support future investment in upgrading facilities. On this point, the Tourism Council of Tasmania submitted that an upgraded Wrest Point and Country Club will stimulate visitor demand to the State. Further, it was said that every major casino development across Australia has incorporated an element of certainty to the operator from the State around gaming licences.
454. The Tourism Council believes a mutually satisfactory outcome should be reached on a licence extension to the Federal Group to operate its two casinos that provides the company with licensing certainty to facilitate redevelopment. It supported a licence extension to Federal to operate its two casinos along with the granting of a new licence to MONA.<sup>197</sup>

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<sup>196</sup> Op.Cit. p. 81

<sup>197</sup> Op.Cit. p. 4-5

## **THA AND FEDERAL GROUP JOINT SUPPLEMENTARY SUBMISSION – A PROPOSED MODEL FOR THE FUTURE OF GAMING FROM 2023**

### **Committee Comment**

455. On the final day of hearings, the Federal Group and the THA tabled a joint proposal on a future model for gaming from 2023. The Committee acknowledges the work of both organisations in collaboratively considering a model and putting it forward for consideration. As the proposal was received at the conclusion of the inquiry, the Committee has not been in a position to assess the proposal in detail. Importantly, apart from seeking preliminary feedback from the Government and the TLGC and receiving comment on the proposal from Mr John Lawrence (of his own volition), the Committee did not have time to request further comment on the proposal from the community. Under the circumstances, the Committee also requested Synergies Economic Consultants to provide a preliminary assessment of the proposal. All responses are attached to this report for reference as Appendix D.

## **Appendix A: Ministerial Statement on Gaming**

*Madam Speaker, the gaming sector has had a long association with this State. In December 1968, Tasmanians were asked to vote whether or not a casino licence should be granted to the Wrest Point Hotel. On the back of the 'yes vote', Hobart became host of Australia's first ever legal casino in 1973, and in the 1980s, the Country Club Casino was developed as Australia's first resort-style casino.*

*In 1993 the Federal Group and the then Government entered into a 15-year Deed to provide commercial certainty for the Company's business model by retaining exclusivity in relation to the operation of casinos, Electronic Gaming Machines (EGMs) and Keno (which was then a casino game only). That provided the platform to underpin new developments in the Tasmanian tourism and hospitality sector, while delivering a number of tax and regulatory changes to the operation of EGMs in Tasmania.*

*In 2002, around six years before the 1993 Deed expired, the then Government agreed a new Deed that underpinned a further round of capital investment and introduced accompanying measures relating to harm minimisation, a cap on the number of EGMs in Tasmania, higher tax revenues and an increase in the Community Support Levy on EGMs in hotels and clubs. Those arrangements are detailed in the 2003 Deed, which is now enshrined in the Gaming Control Act.*

*Madam Speaker, under the terms of that 2003 Deed, the Federal Group has the exclusive right to operate EGMs, Keno and casino table games in Tasmania until at least 30 June 2023.*

*That Deed has two phases – a fixed 15 year phase, which concludes in 2018, and a rolling five year phase, which automatically commences in 2018. Under the Deed, if no action is taken by the Minister responsible for the Gaming Control Act (currently the Treasurer) before 30 June 2019, the period of exclusivity under the Deed will extend by one year, to 30 June 2024. This arrangement then rolls over every year unless action is taken to cease it.*

*This Government has been clear for a long time now – we are not going to seek unilaterally to reach in and change the rights that are held by the Federal Group. They were negotiated in good faith, reviewed by Parliament and enshrined in law.*

*Madam Speaker, as members are aware, in late 2014, Mr David Walsh expressed a desire to operate a "high rollers, non-residential" casino at MONA to help financially support the very successful and internationally acclaimed museum that he has developed. This could only have occurred under the current structural framework specified in the Deed with the agreement of the Federal Group.*

*Coincident with the approach from Mr Walsh, the Federal Group also approached the Government about its next round of investment, flagging its desire to gain a longer period of certainty on its current business model to assist in financing that investment.*

*The Government brought those two separate initiatives together and tested whether the MONA casino could be progressed earlier than that provided under the Deed, namely 2023.*

*The Federal Group indicated it was prepared to consider a variation to the Deed to allow Mr Walsh's casino proposal to proceed ahead of 2023, provided that its arrangements under the 2003 Deed were extended. The Federal Group also proposed to commit to new capital works worth \$100 million at its facilities as a part of those arrangements.*

*However on 14 September 2015, Mr Walsh withdrew his proposal and indicated that he was not prepared to be a party to an arrangement that extended the Federal Group's EGM monopoly. With that declaration, the Government ended the process that it had started to find a path for the MONA casino to be developed.*

*Let's be clear, Madam Speaker, these two quite separate proposals would be excellent developments for Tasmania's burgeoning tourism industry. However the Government has made it clear that we are not prepared to enter into bilateral negotiations with Federal Group as previous Governments have in the past without their being an open and transparent process that the community and other stakeholders can engage in.*

*In light of the potential for a MONA casino to be progressed being raised last year, there has been significant public and media interest in relation to how the rights to conduct gaming activity will be determined in the future. It is important to remember that in the context of the 2003 Deed, there is no decision to be made on this issue until mid-2019.*

*Madam Speaker, it is quite plain that in addition to the Federal Group and Mr Walsh, a broad range of interested stakeholders also have strong and competing views, including community sector organisations, the THA, other tourism industry bodies, unions, the TCCI and individual businesses.*

*Following Mr Walsh's decision to withdraw his proposal, I requested that the Department of Treasury and Finance provide me with advice on the issues and options and the process for determining the market structure and regulatory arrangements that might apply after 2023.*

*Having considered Treasury's advice, it is clear that there is a complex range of issues that must be considered and resolved, involving a diverse range of stakeholders with strong and differing opinions regarding how the gaming market should operate after 2023.*

*Madam Speaker, we have carefully considered these issues and we want all stakeholders to know where we stand on a number of key structural matters in relation to the post 2023 gaming environment in Tasmania. Today I will outline the principles which are guiding our thinking and also the Governments policy positions on key structural elements of the Tasmanian gaming sector post 2023.*

#### *Proposed Guiding Principles*

*Our first guiding principle is that gambling is a lawful form of entertainment for many Tasmanians, and a wide range of gaming products should be available to*

*consumers that are fair, and which provide an acceptable average return to players.*

*Secondly, the regulation of the gaming industry should be designed to create a sustainable industry with the highest standards of probity whilst minimising harm caused by problem gambling.*

*Thirdly, the financial rewards from the gaming industry should be shared appropriately among the industry, players and the Government representing the community.*

*Fourthly, the placement or relocation of EGM's into new venues outside of the casino environment should not be solely determined by the industry and the public interest should be taken into account.*

*Our fifth guiding principle is that the duration of a gaming licence should be commensurate with, among other things, the level of investment necessary to underpin the delivery of the gaming operation.*

#### *Proposed Policy Position*

*Madam Speaker, consistent with these five guiding principles, the Government has determined a set of policy positions in relation to the structural arrangements for casino gaming operations and hotel and club EGM gaming post 2023.*

*Firstly, in relation to Casino and Keno operations, the Government's position is that the rights to conduct gaming in the existing casinos including EGMs and table gaming and the operation of keno are to remain with the Federal Group, subject to the standard probity and regulatory performance arrangements and satisfactory negotiations regarding term as well as taxation and license fee arrangements.*

*Since commencing Australia's first casino in 1973, the Federal Group have clearly established that it is a sound casino operator, employing around 2000 Tasmanians and has been a very good corporate citizen in Tasmania, and the Government sees no basis to change this arrangement.*

*Secondly, the tax rates and license fees for casino gaming and keno are to be reviewed against the broader Australian market with a view to ensuring that returns to players, the licensed entity and the community via the Government are appropriate.*

*Thirdly, given the emergence of the MONA proposal, the Government's position is that limited new "high roller, non-residential" casino licenses should be available in Tasmania in addition to the Federal Group's two casinos.*

*Naturally, any high-roller non-residential casino would be subject to a rigorous licensing and probity process. The Government's view is that in the first instance, the opportunity to apply for such a licence should be afforded to Mr Walsh, given he initially came forward with a proposal in respect of financially supporting the MONA museum.*

*If that licence opportunity were taken up, subject to Mr Walsh meeting the necessary and rigorous licensing and probity process, the Government is of the view that one additional licence could be made available for a location in the North of the State, should there be market demand for such a casino.*



## *Hotels and Club EGMs*

*Madam Speaker, in relation to EGMs in hotels and clubs, our policy position is that the rights to operate these machines post 2023 will be allocated and priced by a market-based mechanism, such as a tender.*

*The Government has an open mind as to alternative structural options for the ownership of EGMs in hotels and clubs post 2023 – the current single network model could continue, with the rights to own and operate that network put to the market, or alternative models such as individual venue ownership under a common network control platform could also be considered. The finalisation of a policy position on this will be informed by a public consultation process.*

*Madam Speaker, in relation to overall EGM numbers from 2023 onwards, the Government's policy position is that the current statewide EGM cap of 3680 will be decreased to the level of EGMs that is in place as of today. I am advised that this is 3530 machines – this is a reduction of 150 machines.*

*The Government's third policy position on hotel and club EGMs is that the tax rate and licence fees for these machines are to be reviewed with a view to ensuring that returns to players, the licensed entity (or entities), venues and the community via the Government are appropriate and reflective of the broader Australian market. Our starting proposition is that the returns to hotels and clubs, and the community, should be at least in the same position they are today.*

*Madam Speaker, related to this, the Government considers that the Community Support Levy, which is applied to EGM activity in hotels and clubs, will be reviewed to ensure that it is set at an appropriate level delivering outcomes that are in the best interest and meeting the requirements of the community.*

*The Government's final policy position in relation to hotel and club EGMs is that the relocation of EGMs into new hotel and/or club venues – that is those venues that currently do not have machines today - will be subject to a new public interest test to be applied by the Tasmanian Liquor and Gaming Commission. This will give local communities a voice in determining the future location of EGMs in their community, which has been lacking. The Government intends the regulatory instrument that delivers this outcome would have effect from today onwards. However, the Government will not create uncertainty for hotels and clubs that currently have machines in place today by requiring any form of retrospective approvals.*

*In the context of the Government indicating a willingness to consider up to two "highroller non-residential" casinos and a market-based mechanism for the operation of EGMs in hotels and clubs, it is the Government's intention that the Coordinator General be the point of contact for inquiries from interested potential participants prior to a formal expression of interest process.*

*However, the process for ultimately awarding any new gaming licences would not be completed by the Coordinator General, rather it would be undertaken at arms-length from the Government via a formal independent process once the new structural arrangements have been finalised.*

## *Public Process to Inform Structural Arrangements*

*Madam Speaker, having set out the Government's policy position, I will now turn my attention to the public process that the Government intends to establish shortly in relation to further refining policy development for the future of gaming in Tasmania post 2023.*

*The processes that led to the development of the earlier Deeds caused concern in the community and cast a shadow over the appropriateness of structural arrangements. The Government does not want a repeat of this outcome. There needs to be a fully transparent public consultation process that enables interested Tasmanians, whether directly involved in the sector or not, to have their say on the future structure of the gaming sector post 2023, with the Government's policy position as the starting point.*

*Accordingly, the Government proposes that a Joint Select Committee of both Houses be established, comprising three members from the House of Assembly (one from each party) and three independent members from the Legislative Council to undertake this public consultation process and report by the end of the year.*

*This committee would be resourced with a secretariat provided by the Department of Premier and Cabinet with input from relevant Government agencies including Treasury and the Department of Health and Human Services, and with sufficient resources to obtain independent expert advice should it be required.*

*While the Terms of Reference are to be finalised, and will ultimately be determined by both Houses, the Government's view is that the Terms of Reference for the Committee would include:*

- 1. Consideration of the Government's policy position outlined today;*
- 2. An assessment of options on how market-based mechanisms, such as a tender, to operate EGMs in hotels and clubs could be framed;*
- 3. Consideration of future taxation and licensing arrangements, informed by those in other jurisdictions;*
- 4. A review of harm minimisation measures and their effectiveness, including the Community Support Levy;*
- 5. Consideration of the duration and term of licences for the various gaming activities post 2023; and*
- 6. Any other matters incidental thereto.*

*The Joint Select Committee Review would serve as an open and transparent 'fact finding' process to provide information for the formulation of the more detailed structural policy elements within the policy framework I have set out today to help inform the Government's final policy position.*

*Whilst it would ultimately be up to the Committee, I would hope that it would be able to report by the end of 2016, enabling this matter to be clearly determined ahead of the 2019 decision point and to provide certainty to all stakeholders.*

*In closing Madam Speaker, the Government has developed a number of clear policy positions that we want the community to have the opportunity to comment on in a transparent and open way.*

*We are bringing this process forward now to provide certainty to all of the various stakeholders as well as the broader community well before the 2019 decision point.*

*Madam Speaker this is a significant departure from what has occurred in this State in the past with respect to gaming policy and we understand that there will be a range of views on what we propose.*

*Our very firm view is that this policy position and the open and transparent process I have outlined is the right way forward and in the best interests of the State.*

## Appendix B: Hodgman Liberal Government Post-2023 Gaming Structural Framework

### Hodgman Liberal Government post-2023 Gaming Structural Framework

#### **A. Guiding Principles**

1. Gambling is a lawful form of entertainment for many Tasmanians, and a wide range of gaming products should be available to consumers that are fair, and which provide an acceptable average return to players.
2. The regulation of the gaming industry should be designed to create a sustainable industry with the highest standards of probity whilst minimising harm caused by problem gambling.
3. The financial rewards from the gaming industry should be shared appropriately among the industry, players and the Government representing the community.
4. The placement or relocation of EGM's into new venues outside of the casino environment should not be solely determined by the industry and the public interest should be taken into account.
5. The duration of a gaming licence should be commensurate with, among other things, the level of investment necessary to underpin the delivery of the gaming operation.

#### **B. Proposed Policy Position**

Consistent with these five guiding principles, the Government has determined a set of policy positions in relation to the structural arrangements for casino gaming operations and hotel and club EGM gaming post 2023.

##### **a. Casino and Keno operations**

The rights to conduct keno in Tasmania and to conduct gaming in the existing two casinos, including EGMs and table gaming, are to remain with the Federal Group, subject to the standard probity and regulatory performance arrangements and satisfactory negotiations regarding term as well as taxation and license fee arrangements.

The tax rates and license fees for casino gaming (table gaming and EGMs) and keno are to be reviewed against the broader Australian market with a view to ensuring that returns to players, the licensed entity and the community via the Government are appropriate.

Limited new "high roller, non-residential" casino licenses should be available in Tasmania in addition to the Federal Group's two casinos.

In the first instance, the opportunity to apply for such a licence should be afforded to Mr Walsh, given he initially came forward with a proposal in respect of financially supporting the MONA museum.

If that licence opportunity were taken up, subject to Mr Walsh meeting the necessary and rigorous licensing and probity process, one additional licence could be made available for a location in the North of the State, should there be market demand for such a casino.

#### ***b. Hotels and Club EGMs***

The rights to operate these machines post 2023 will be allocated and priced by a market-based mechanism, such as a tender.

The Government has no fixed view as to alternative structural options for the ownership of EGMs in hotels and clubs post 2023 – the current single network model could continue, with the rights to own and operate that network put to the market, or alternative models such as individual venue ownership under a common network control platform could also be considered.

In relation to overall EGM numbers from 2023 onwards, the statewide EGM cap, which pre-2023 is 3680 will be decreased to 3530 machines – a reduction in the cap of 150 machines.

The tax rate and licence fees for hotel and club EGMs are to be reviewed with a view to ensuring that returns to players, the licensed entity (or entities), venues and the community via the Government are appropriate and reflective of the broader Australian market.

The returns to hotels and clubs, and the community, should be at least in the same position they are today.

The Community Support Levy, which is applied to EGM activity in hotels and clubs, will be reviewed to ensure that it is set at an appropriate level delivering outcomes that are in the best interest and meeting the requirements of the community.

The relocation of EGMs into new hotel and/or club venues will be subject to a public interest test to be applied by the Tasmanian Liquor and Gaming Commission. Hotels and clubs that had machines in place in March 2016 will not require any form of retrospective approvals.

## Appendix C: Submissions

Ref No.	Name	Submission Received
1	Helen Rayner	14/10/2016
2	Dr Nick Cooling	14/10/2016
3	Jenny Archer	14/10/2016
4	Carol Dorgelo	14/10/2016
5	Australian Leisure and Hospitality Group	14/10/2016
6	Geraldine Donnelly	14/10/2016
7	Louise Gilfedder	14/10/2016
8	Lauren Jones	14/10/2016
9	Patrick Yates	14/10/2016
10	Chris Croome (Mrs)	16/12/2016
11	Dr James Boyce	16/12/2016
12	Lyn O'Grady	16/12/2016
13	Peter Cartwright	16/12/2016
14	Brighton Council	16/12/2016
15	Wayne Matthews	16/12/2016
16	Stephen Brown	16/12/2016
17	Barbara Gruner	16/12/2016
18	Taki Douramanis	16/12/2016
19	Sonya de Lacey	16/12/2016
20	Roz Pearson	16/12/2016
21	Peter James	16/12/2016
22	Denise Kylie Wright	16/12/2016
23	Gek Low	16/12/2016
24	Paul McLean	16/12/2016
25	Jenny Dean	16/12/2016
26	Pam Chapman	16/12/2016
27	Michael Flood	16/12/2016
28	James Todd	16/12/2016
29	Andrew Wright	16/12/2016
30	Michael Ness	16/12/2016
31	Dallas Joiner	16/12/2016
32	Margaret Headlam	16/12/2016
33	Wesley Carpenter	16/12/2016
34	Tom Knaap	16/12/2016
35	Sara Strong	16/12/2016
36	Janet Stewart	16/12/2016
37	John Biggs	16/12/2016
38	Mac Hoban	16/12/2016
39	David Lewis	16/12/2016
40	Rob Beekmeijer	16/12/2016
41	Linley Grant	16/12/2016
42	Andrew Davis	16/12/2016
43	Michael Roberts	16/12/2016
44	Kim Imber	16/12/2016
45	Gaby Jung	16/12/2016

46	Robert Jackson	16/12/2016
47	Victoria von Witt	16/12/2016
48	Fiona Musgrave	16/12/2016
49	Mary Joy Walter	16/12/2016
50	John McKenna	16/12/2016
51	Kate Beer	16/12/2016
52	Ann-Marie Hammond	16/12/2016
53	Jenny Gee	16/12/2016
54	Renate Hughes	16/12/2016
55	Anne Layton-Bennett	16/12/2016
56	Bernard Turvey	16/12/2016
57	Deborah Hergatt	16/12/2016
58	Mary Wright	16/12/2016
59	David James	16/12/2016
60	Mike Adams	16/12/2016
61	Sara Robinson	16/12/2016
62	Sally O'Wheel	16/12/2016
63	John Maginnis	16/12/2016
64	David Owens	16/12/2016
65	Rodney Mansfield	16/12/2016
66	Warren Hastings	16/12/2016
67	William Jones	16/12/2016
68	Christine Wilson	16/12/2016
69	Sally McGushin	16/12/2016
70	Jan Wood	16/12/2016
71	The National Council of Women of Tasmania Inc	16/12/2016
72	Monte John Latham	16/12/2016
73	Youth, Family & Community Connections	16/12/2016
74	Andrew Wasilewski	16/12/2016
75	Janet Drummond LLB	16/12/2016
76	Suzanne Midson	16/12/2016
77	Diane Hopper	16/12/2016
78	Viola Hemm	16/12/2016
79	Melissa Crosbie	16/12/2016
80	Karina Williams	16/12/2016
81	Lynette A Jessup	16/12/2016
82	Rebecca Essex	16/12/2016
83	Avril Glazebrook	16/12/2016
84	Celia McCausland	16/12/2016
85	Kelvin McCausland	16/12/2016
86	Caroline Amos	16/12/2016
87	Bronwyn Chandler	16/12/2016
88	Peter Hault	16/12/2016
89	Nicolá Goc	16/12/2016
90	Wendy Spackman	16/12/2016
91	Benjamin Tolputt	16/12/2016
92	Bob Holderness-Roddam	16/12/2016
93	Tony Forman	16/12/2016
94	Dr Andrew Grosse	16/12/2016
95	Aafke Downey	16/12/2016
96	Ken White	16/12/2016



97	Sara Dane	16/12/2016
98	Nicola Perkins	16/12/2016
99	Clea Eykelkamp	16/12/2016
100	Catherine Foley Burke	16/12/2016
101	Donna Oakford	16/12/2016
102	Les Whittle	16/12/2016
103	Julia Bestwick	16/12/2016
104	Kenneth Puccetti	16/12/2016
105	Sharyn White	16/12/2016
106	Kate Cliff	16/12/2016
107	Stephen Bannister	16/12/2016
108	Ruth Priest	16/12/2016
109	City of Hobart	16/12/2016
110	Holyoake Tasmania Inc.	16/12/2016
111	Neighbourhood Houses Tasmania	16/12/2016
112	Mission Australia	16/12/2016
113	Rebecca Smith	16/12/2016
114	John Lawrence	16/12/2016
115	Andrew Wilkie	16/12/2016
116	Tasmanian Baptist Churches	16/12/2016
117	A Fairer World	16/12/2016
118	TasCOSS	16/12/2016
119	Tasmanian Greens	16/12/2016
120	Devonport Community House	16/12/2016
121	Scripture Union Tasmania	16/12/2016
122	Gambling Impact Society (NSW) Inc.	16/12/2016
123	Danuta Gough	16/12/2016
124	Dixon Hotel Group Tasmania	16/12/2016
125	Local Government Association of Tasmania	16/12/2016
126	Youth Network of Tasmania	16/12/2016
127	Social Determinants of Health Advocacy Network Tasmania	16/12/2016
128	Rein in the Pokies	16/12/2016
129	Gaming Technologies Association	16/12/2016
130	Morrice Fraser	16/12/2016
131	Australian Christian Lobby	16/12/2016
132	Tourism Industry Council Tasmania	16/12/2016
133	Clubs Australia	16/12/2016
134	Glenorchy City Council	16/12/2016
135	Anglicare Tasmania Inc.	16/12/2016
136	Men's Resources Tasmania	16/12/2016
137	Federal Group	16/12/2016
138	Relationships Australia Tasmania	16/12/2016
139	Women's Health Tasmania	16/12/2016
140	Community Voice on Pokies Reform	16/12/2016
141	Tasmanian Hospitality Association	16/12/2016
142	The Religious Society of Friends (Quakers) in Tasmania Inc	16/12/2016
143	The Salvation Army	16/12/2016
144	Tasmanian Liquor and Gaming Commission	16/12/2016
145	Katherine Gregg	16/12/2016



146	Uniting Church in Australia – Synod of Victoria and Tasmania	16/12/2016
147	Australian Association of Social Workers – Tasmanian Branch	16/12/2016
148	Australian Nursing and Midwifery Federation (Tasmanian Branch)	7/2/2017

# **Appendix D: The Federal Group and THA Joint Proposal; preliminary analysis by Synergies Economic Consulting and preliminary Comments from the Tasmanian Government; Tasmanian Liquor and Gaming Commission and Mr John Lawrence**

## **Submission to the Joint Select Committee from the Tasmanian Hospitality Association and Federal Group**

### **EXECUTIVE SUMMARY**

The Tasmanian Hospitality Association and Federal Group have agreed on a proposed model for the future of gaming from 2023 that:

- Changes from the current single licensed gaming operator (Network Gaming) to direct licensing of hotels and clubs with gaming;
- Ends the monopoly gaming licence currently held by Network Gaming;
- Moves Tasmania's gaming machine licensing and taxation to more closely resemble other states and territories (especially regional areas);
- Significantly increases financial returns from gaming for hotels and clubs;
- Significantly increases capital values for hotels and clubs – allowing them to further invest and employ;
- Delivers a maintained or improved return to the Tasmanian community through taxes, fees and levies;
- Is consistent with the Hodgman Government's Gaming Structural Framework;
- Retains and strengthens Tasmania's player protection and harm minimisation framework; and
- Provides a path for Federal Group to remain a significant investor, employer and operator in the Tasmanian gaming, tourism and hospitality industries.

### **1. INTRODUCTION**

The Tasmanian Hospitality Association (THA) and Federal Group have developed a proposed model for the future of Tasmania's gaming markets. The proposal takes into consideration the State Government's position on the future of the sector, the work undertaken to-date by the Joint Select Committee and the views of the industry and community.

The proposed model is an individual venue ownership model with a common network platform. Its implementation would shift gaming returns away from Network Gaming, to Tasmanian hotels and clubs, while maintaining returns to the Tasmanian Government. Strengthening the hotel sector will deliver a range of community benefits including increased employment, investment and development. It will also deliver strong player protection and harm minimisation measures.

The proposed model would bring Tasmania's gaming industry into line with other jurisdictions around Australia. It would take effect from 2023, at the expiry of the current licencing arrangements, and deliver long-term certainty to stakeholders.

It would see a move to a market-based mechanism that has the support of both the existing licensed operator and the hotel and club industry.

## 2. RATIONALE

Rectangular Snip

The Joint Select Committee process has highlighted community, industry and government preference for a change to the current gaming licence arrangements. Recognising this, the THA and Federal Group have worked together to identify a way forward for the industry which demonstrates a commitment to the long-term stability and responsible management of gaming in Tasmania.

Given their significant roles in Tasmania's gaming industry, it was appropriate for these two organisations to consider their shared views on the future of the sector. Federal Group has been operating gaming in Tasmania for more than 40 years and successive State Governments have entrusted the company with exclusive gaming licences throughout this period. Federal Group is Tasmania's largest private sector employer and is a significant contributor to the economy. It operates the state's two casinos and is responsible for the 2380 electronic gaming machines (EGM) in hotels and clubs.

The THA is the peak industry body for hospitality in Tasmania. It has an MOU with the current State Government that recognises the association as the representative body for industry-related issues such as gaming. The THA is the only representative body in the state that actively engages in the gaming sector and, of the 96 venues in Tasmania which currently operate EGMs, 74 of these are members of the THA.

Federal Group and the THA recognise that there are a number of complex and important issues that must be considered in determining the future of Tasmania's gaming industry. This submission lays out a proactive and progressive approach, which provides long-term certainty for Federal Group, THA members and people employed in the sector, as well as other key stakeholders including the State Government. The proposed model would unlock significant investment and development in venues and regions across the state (further detail provided on page 7).

The State Government established its expectations for the future of gaming in Tasmania in March 2016, when it outlined guiding principles to determine a policy position (see <http://www.parliament.tas.gov.au/ctee/Joint/TermsofReference/FGM%20additional%20ToRa.pdf>). The THA and Federal Group strongly believe the proposed model addresses these guiding principles (further detail provided on pages 8-12).



The proposed model recognises Tasmania is currently the only state or territory in which there is a single licenced operator of gaming machines, and seeks to bring the state into line with other jurisdictions. In doing so, Federal Group and the THA are committed to maintaining the high levels of player protection which apply in Tasmania. As identified in the report by Owen Gaming Research, which formed part of the THA's original submission to the Joint Select Committee, moving to a model that allows for direct licencing of venues will not increase the incidence of problem gambling.

Under the current arrangements, venue operators have been able to amass the knowledge and skills necessary to fulfil their responsibilities under a direct licencing model, which will ensure they continue to responsibly manage gaming activity in accordance with Tasmania's strict regulations. Venue operators have also been responsible for harm minimisation (such as monitoring self-exclusions) for many years and under this proposed model they would continue to place a major focus on harm minimisation.

### **3. PROCESS UNDERTAKEN**

Participation in the Joint Select Committee process stimulated discussions between Federal Group and the THA about their shared views on the future of gaming in Tasmania. Both parties provided comprehensive submissions to the Committee in December 2016, which outlined their respective views. The THA's submission called for a direct licencing model for venues with EGMs, to provide operators with greater control and improved returns, which would in turn underpin investment and employment in the sector.

Federal Group considered a range of options for the future of gaming in Tasmania, outlining the opportunities and challenges of each. The company made clear it recognised pub and club operators were seeking a change to the current arrangements and alternative models would need to be considered. Federal Group also acknowledged its monopoly would not continue beyond the expiry of its current licence in 2023, given plans to grant two additional high-rollers casino licences to new operators, including MONA.

The respective positions of Federal Group and the THA were further outlined during their individual hearings before the JSC in February this year. Both the THA and Federal Group referenced interstate models with alternative licencing and taxation arrangements. Subsequently, members of the Joint Select Committee visited a number of interstate jurisdictions in July, including Cairns, Townsville and Victoria. This provided the THA and Federal Group with confidence to bring forward a proposed model.

Federal Group is a long-term member of the THA and the two parties regularly meet to discuss a range of industry events and issues. As such, the identification of a shared view on future opportunities for Tasmania's gaming industry stemmed from informal discussions between the two groups. The parties recognised that in working together they were able to demonstrate a strong commitment to the long-term future of Tasmania's gaming industry.

The THA and Federal Group established a set of shared principles to guide their discussions, which included increased returns from EGMs for hotels and clubs and new EGM tax rates for Tasmania's casinos and hotels and clubs. A series of discussions took place between Federal Group's Corporate Executive and THA General Manager Steve Old, and subsequently the THA Gaming Subcommittee. The Gaming Subcommittee is made up of nine individuals, who represent 74 members of the THA with gaming venues. The THA Gaming Subcommittee is appointed to represent the interests of gaming members and to inform THA policy on gaming matters.

The THA and Federal Group worked together to determine their proposed model and then sought verification of the identified financial outcomes from an independent expert. Results of the independent expert modelling confirmed hotel and club operators would receive improved financial returns under the proposed model.

Federal Group and the THA determined their preference to present detail of their proposed model during a joint appearance before the Joint Select Committee. In doing so, the THA and Federal Group seek to further demonstrate their partnership in identifying this proposed model and their commitment to securing a sustainable way forward for Tasmania's gaming industry.

#### **4. PROPOSED ARRANGEMENT**

The proposed model would apply from 2023 and would see a major shift in the licensing of EGMs in Tasmanian hotels and clubs. The model is aimed at achieving a balanced position that provides:

- Improved returns from EGMs to Tasmanian hotels and clubs,
- Greater control over EGM business decisions by Tasmanian hotels and clubs,
- Certainty and stability for Federal Group,
- Maintenance of returns to Government,
- A strong player protection outcome, and
- A model that aligns Tasmania more closely with the administration and licensing of EGMs in other states and territories.

The most significant shift from the current model is that hotels and clubs would be directly licensed as EGM operators by the Tasmanian Liquor and Gaming Commission. The current role of Network Gaming as the sole licence holder, owner and operator of all EGMs would cease. Network Gaming would only undertake the base monitoring functions that are required to ensure that the Tasmanian Government can have sufficient confidence in the integrity of the system and the correct flow of taxation to Government.



Network Gaming would continue to undertake monitoring functions on a fee for service basis. This would include the sweeping of accounts for payment of gaming taxes, licence fees and the Community Support Levy to the Tasmanian Government. Network Gaming would also offer other services to hotels and clubs, on a non-exclusive and fee for service basis. Hotels and clubs could also elect to have the company finance and maintain their EGM fleet.

Under this proposed model, gaming in Tasmania would operate in a similar way to other Australian states and territories, where there is no third party owner and licence holder of EGMs in licensed hotels and clubs. From 2023, this would end the exclusive EGM licence that Federal Group has held in Tasmania since 1993.

In recognition of the removal of exclusive licences for gaming and the arrangements that apply in other regional Australian jurisdictions, a new regime of taxes, fees and levies would be required that would include the following:

- Table gaming taxes remain unchanged at 10%;
- Keno taxes remain unchanged at 15%;
- Electronic gaming machine taxes applying to Tasmanian casinos changed to be consistent with Australian regional casino rates at 20%;
- Electronic gaming machine taxes applying to Tasmanian hotels and clubs changed to be consistent with other Australian states and territories at 45%;
- The Community Support Levy would remain unchanged at 4%; and
- A new regime of annual licence fees for EGM venues (casinos, hotels and clubs) of \$1,000 per EGM per year (CPI indexed).

The implementation of this model would shift the returns from gaming to Tasmanian hotels and clubs. Currently, hotels and clubs receive around 30% of gaming revenue. Under the proposed model this would increase to over 50%.

The proposed model would increase the financial returns from EGMs for hotel and club venues, and also significantly increase the value of hotels and clubs with EGMs. These tax rates and licence fees would also ensure that returns to the Tasmanian Government are no less than current levels.

This model is only sustainable if EGM tax rates in casinos are aligned to those that apply to regional casinos in other Australian states and territories.

Federal Group would continue to be licensed:

- To operate EGMs and table gaming at both Wrest Point and Country Club;
- To operate the game of keno in Tasmania;
- As the monitoring operator for EGMs in Tasmanian hotels and clubs; and
- As a fee for service provider of value added and technical services to Tasmanian hotels and clubs (eg EGM maintenance, EGM financing, business analytics, marketing).

The proposed model is consistent with the submissions provided to the Joint Select Committee by both the THA and Federal Group. This model closely resembles the model for the licensing of gaming in other states and territories of Australia.

## 5. FINANCIAL OUTCOMES OF THE PROPOSED ARRANGEMENT

The THA and Federal Group had an independent expert third party model the outcomes that would have occurred had the proposed model been in place during the 2016/17 financial year. Using the data from the 2016/17 financial year, these were compared with the actual 2016/17 outcomes. For the purposes of this assessment, the following inputs and assumptions were used:

**Table 1 – current Tasmanian EGM taxes, levies, fees and commissions**

Inputs and Assumptions	Amount/Rate
Hotel and Club EGM Tax Rate (GST inc.)	35.0%
Casino EGM Tax Rate (GST inc.)	35.0%
Hotel CSL Rate	4.0%
Club CSL Rate	2.0%
Hotel Venue Commission	30.0%
Club Venue Commission	32.0%
Federal Group Licence Fees pa	\$3,108,358

**Table 2 – proposed Tasmanian EGM taxes, levies, fees and commissions**

Inputs and Assumptions	Amount/Rate
Hotel and Club EGM Tax Rate (GST inc.)	45.0%
Casino EGM Tax Rate (GST inc.)	20.0%
Hotel CSL Rate	4.0%
Club CSL Rate	2.0%
Hotel Venue Commission	51.0%
Club Venue Commission	53.0%
Federal Group Licence Fees (per EGM p/a)	\$1,000.00
Hotel and Club Licence Fees (per EGM p/a)	\$1,000.00
Hotel and Club Monitoring Fees (per EGM per day)	\$2.00



The proposed inputs and assumptions outlined in tables 1 and 2 will deliver different outcomes from gaming for hotels, clubs and Federal Group. The most significant outcomes from the proposed model are that:

- Hotels and clubs with EGMs will get a significantly greater share of the revenue from EGM activity than under the current model (actual numbers can be provided in-confidence). The average increase in revenue for hotels and clubs is 57.4%.
- Federal Group, through Network Gaming, will receive a significantly reduced share of the revenue from EGM activity than under the current model (actual numbers can be provided in-confidence)
- The Tasmanian Government will receive no less taxation/fee/levy revenue than under the current model (actual numbers can be provided in-confidence)

Hotels and clubs with EGMs will all significantly increase the share of EGM revenue that they receive. This will apply to large, medium and small hotels and clubs; and both suburban and regional hotels and clubs. Case studies of three different sized and located venues have been used to demonstrate the increase to all types of venues (actual examples can be provided in-confidence).

The greater share of EGM revenue received by hotels and clubs will also have a significant positive impact on the valuation of these venues. This increase in valuation will allow hotels and clubs to get better access to finance and this will allow them to make further investments in their businesses. These investments would have a positive impact on the communities in which these hotels and clubs operate, especially in regional areas that badly need new investments, increased economic activity and jobs. Hotels and clubs with EGMs will also have far greater control over the operations of their gaming business under the proposed model.

Federal Group, through Network Gaming, will decrease its share of EGM revenue as a result of the proposed model. However, the proposed model will provide certainty going forward for its keno and casino businesses.

The Tasmanian Government will receive no less revenue than under the current model. The regulatory approach will shift to one that more closely resembles that in place in other states and territories, although the proposed model retains Network Gaming as the licensed monitoring operator and this will ensure consistent reporting and linkages between the Tasmanian Government and EGM hotel and club venues – using the existing monitoring system that has worked effectively over many years. Maintaining Network Gaming as the monitoring operator minimises the costs to hotels and clubs of the transition to the new model.



The proposed model will deliver a similar (or possibly better) outcome in terms of player protection and harm minimisation. Hotels and clubs have shown a strong focus on both regulatory compliance and harm minimisation over the last 20 years, and are well placed to continue to ensure that Tasmania has a low incidence of problem gambling.

Tasmania already has one of the strongest and strictest EGM regulatory regimes in Australia. The system has high levels of player protection and harm minimisation built into the legislation and rules that apply to gaming venues – including the Mandatory Code of Practice – as demonstrated by the low rates of problem gambling compared to other states and territories in Australia. All gaming venues will continue to be required to comply with these controls under the proposed model.

## **6. RELEVANCE TO THE STATE GOVERNMENT'S POLICY POSITION AND JSC TERMS OF REFERENCE**

The proposed model is consistent with the guiding principles and proposed policy position outlined in the document provided to the Committee by the Tasmanian Government (*Hodgman Liberal Government post-2023 Gaming Structural Framework*).

With specific reference to each of the guiding principles, the proposed model is consistent in the following respects:

- *Gambling is a lawful form of entertainment and there should be a range of products that are fair and provide acceptable returns to players*

The proposed model will ensure that there is a range of different gaming products available to Tasmanians. The proposed model should extend this range with the introduction of new licensed entities (hotels, clubs and casinos) that will all bring a different business philosophy built around a differentiated player experience. All licensed operators and products will continue to operate within the tightly controlled and regulated Tasmanian gaming environment that currently exists.

- *Regulation of gaming should create a sustainable industry whilst minimising the harm from problem gambling*

The proposed model will further promote a sustainable gaming, hotel and club sector. Hotels and clubs with EGMs will receive a greater share of EGM revenue and this will support them to further invest in their venues and people. The proposed model will operate within the strict regulatory controls in place in Tasmania.

- *The financial rewards from gaming should be shared appropriately among the industry, players and the Tasmanian Government*

The proposed model replaces Network Gaming as the sole licensee for EGMs in hotels and clubs, and would mirror the venue ownership model that applies in most states and territories. The current return to player arrangements would remain under this model. The returns to Government are maintained.

- *The placement of EGMs in hotels and clubs should not be solely determined by the industry and should incorporate the public interest*

As previously advised, both the THA and Federal Group support the introduction of a Community Interest Test for the determination of the appropriateness of new EGM venues.

- *The duration of gaming licences should be commensurate with the level of investment required to underpin the gaming operation*

The THA and Federal Group strongly advocate for long-term certainty for each licensed entity to allow them security around their investments. Similar to the arrangements in many other states and territories in Australia, both parties strongly believe that perpetual licences should be granted to existing venues that have EGMs on 30 June 2023. These venues would be licensed from 1 July 2023 for the same number of EGMs that they operated on 30 June 2023.

The THA and Federal Group believe that the proposed tax, levy and fee arrangements should be locked in place for a long period. While tax rates cannot be perpetual, both parties believe that a minimum 20 year period of tax certainty would be appropriate and necessary for the industry.

With specific reference to each of the proposed policy positions, the proposed model is consistent in the following respects:

- *The rights to conduct keno in Tasmania and to conduct gaming in the two existing casinos, including table gaming and EGMs, are to remain with the Federal Group, subject to standard probity and regulatory performance, and satisfactory negotiations regarding term as well as taxation and licence fee arrangements*

The THA and Federal Group agree that the rights to conduct keno in Tasmania and gaming at Wrest Point and Country Club should remain with the Federal Group.

- *The tax rates and licence fees for casinos (including table gaming and EGMs) and Keno are to be reviewed against the broader Australian market*



The THA and Federal Group agree to an amended arrangement for EGM taxation under the proposed model that is in line with that in place in other states and territories, and that delivers strong returns to licensed entities and appropriate returns to players and the community. The proposed model achieves this.

- *Limited new “high-roller, non-residential” casino licences should be available in addition to Federal Groups’ two casinos:*
  - *The opportunity to apply for such a licence should be afforded to Mr Walsh in respect of financially supporting MONA*
  - *If that licence were taken up, then an additional licence should be made available in the north of Tasmania, should there be market demand*

The THA and Federal Group support the potential licensing of “high roller, non-residential” table gaming only casinos at MONA and potentially in the north of the state.

- *The Government has no fixed view for the ownership of EGMs in hotels and clubs post 2023 – the current single network model could continue, with the rights to own and operate that network put to the market, or alternative models such as individual venue ownership under a common network control platform could also be considered*

The THA and Federal Group have agreed a proposed model that would support the second option outlined by the Tasmanian Government in the Framework. The proposed model is an individual venue ownership model with a common network platform.

- *The state-wide EGM cap will be reduced to 3,530 from 2023*

The THA and Federal Group support the reduction in the state-wide EGM cap from 2023.

- *The tax rates and licence fees for hotel and club EGMs are to be reviewed with a view to ensuring that returns for all parties are appropriate and reflective of the broader Australian market*

The THA and Federal Group support an amended schedule of taxes and licence fees, as set out in this submission. The proposed model is strongly in line with the arrangements in other states and territories that incorporate differentiated tax rates for regional casinos and hotels, annual licence fees, and daily fees for monitoring. The returns to the Tasmanian Government from the proposed model are no less than under the current model.

- *The CSL, which is applied to EGM activity in hotels and clubs, will be reviewed to ensure that it is set at an appropriate level delivering outcomes that are in the best interest and meeting the requirements of the community*

The THA and Federal Group support the continuation of the current arrangements for the Community Support Levy in Tasmania. However, both parties agree that the recommendations made by the Auditor General to make the system more effective and efficient should be put in place. In particular, the current funding of the Neighbourhood House Program should be reviewed and be funded from an existing departmental budget, freeing up more of the CSL funds for problem gambling mitigation, charitable grants and sport and recreation groups. Local government should also have an increased role in determining where the funds from the Levy are spent in the future.

The THA and Federal Group would urge the Committee to consider some CSL funding being set aside for an industry responsible gambling program, to be administered by the THA. This arrangement is in place in other states and would ensure that there are strong player protection activities in place under an individual venue ownership model from 2023.

In addition to being consistent with the Hodgman Government Framework, the proposed model is also in line with the Committee's Terms of Reference and some of the evidence provided to the Committee to this point.

This proposed model is relevant to all of the Terms of Reference, but particularly to sections (c), (d), (e), and (g).

The proposed model also provides an option for the Committee under section d. This is a move to a market-based mechanism that has the support of both the existing licensed operator and the hotel and club industry. The proposed model is consistent with market based approaches to licensing EGMs in other Australian states and territories.

The proposed model provides a strong option for future taxation and licensing arrangements for EGMs and EGM venues in Tasmania post 2023 (Term of Reference e). The proposed taxation arrangements for EGMs would shift to be in line with other jurisdictions where regional casinos and gaming hotels and clubs operate, such as North Queensland. The proposed model would ensure that the Tasmanian Government receives at least the same amount of taxes, fees and levies as under the current model. The proposed licensing arrangements would also resemble those in place in other states and territories with wide area gaming networks.

The proposed model provides an option for the duration and term of EGM licences in Tasmania (Term of Reference g). Federal Group and the THA both consider long-term licence certainty to be important and propose perpetual licences with a long-term period (20 years) during which the applicable taxes, fees and levies are fixed. Under the proposed model, all EGM venues on 30 June 2023 would transition to a direct licence with the Tasmanian Government for the relevant number of EGMs.

Federal Group and the THA consider the proposed model to be reflective and supportive of the evidence provided in submissions and hearings of the Committee.



## **7. BENEFITS OF THE PROPOSED ARRANGEMENT**

There are a number of significant outcomes and benefits from the proposed model put forward by the THA and Federal Group. Fundamentally, the proposed model addresses the considerable community and industry concern about the monopoly gaming licences which have been in place in Tasmania for more than 40 years. Shifting to a direct licencing model for individual venue operators will bring Tasmania's gaming industry in line with other states and territories.

The proposed model would redistribute EGM revenue from Network Gaming to hotels and clubs. This would result in a significant increase in the capital value of hotels and clubs by an average of over \$1.5 million and deliver increased: investment, employment opportunities, and services for locals and visitors.

The proposed model would also bring the EGM tax rates paid by Wrest Point and Country Club into line with those in place in other regional casinos in Australia, such as Cairns and Townsville. This would make Wrest Point and Country Club competitive nationally and allow greater certainty to undertake future investments.

In Victoria, the move to direct venue ownership saw a significant increase in investment in hospitality infrastructure. The transition to a venue-owner model in Victoria from August 2012 led to a considerable increase in the construction of short-term accommodation and entertainment and recreation facilities at hotels and clubs (as indicated on page 7 of the Owen Report, included in the THA original submission to the Joint Select Committee).

The potential impact of this cannot be underestimated, especially for the regional communities in which many gaming venues operate. Hotels and pubs play a vital role in the state's growing tourism industry, particularly in regional areas. Tasmania's economy relies heavily on the tourism market and under the proposed model hotels and pubs would be able to undertake significant investments and redevelopments.

## **8. TRANSITION**

Under the proposed model there would need to be a transition process to move from the current single operator model to direct venue licensing and ownership arrangements. Federal Group and the THA both recognise that the transition will need to provide certainty and protections for all of the relevant stakeholders, including: hotels, clubs, the Tasmanian Government and Federal Group.

Specific details of a transition process would be a matter for further discussion between the THA, Federal Group and State Government. This would include the THA and Federal Group establishing an agreement on transition matters such as the prices and arrangements for the transfer of existing EGM assets in the network.

Although full details of the transition are still to be determined, it must be acknowledged that the proposed model provides far greater certainty to stakeholders than the alternatives. For example, the proposed model avoids the need for a tender process, which would be very costly and generate considerable uncertainty and massive disruption for all stakeholders. Providing the industry with certainty about the future operation of gaming allows stakeholders to make confident decisions and investments in their businesses, both in the short-term and into the future.

The proposed model also avoids risks for the State Government and the community, in regards to the collection of taxes and monitoring of the state's gaming system, which would result from a transition to a new monitoring provider. Licencing the existing operator, Network Gaming, to deliver base monitoring functions, ensures the integrity of the system remains intact, minimises the cost of the transition for hotels and clubs, negates disruptions to the collection of taxes, and importantly retains jobs in Tasmania.

## 9. CONCLUSION

In working together, the THA and Federal Group have developed a model for Tasmania's future gaming markets that will deliver significant outcomes for stakeholders, including venue operators, the State Government and the broader community.

Applied from 2023, the proposed model would see hotels and clubs directly licenced by the Tasmanian Liquor and Gaming Commission. It would end the monopoly held by Federal Group for more than 40 years.

Gaming in Tasmania would operate in a similar way to other Australian states and territories, and the returns from gaming would be more appropriately distributed to increase revenue and the value of Tasmanian hotels and clubs. This will have a highly positive impact on small and regional hotels and clubs, and the communities in which they operate.

The State Government will receive no less revenue than under the current model. The State Government would also retain confidence in the integrity of the gaming system with Network Gaming being licensed to provide base monitoring functions.

Despite seeing a considerable reduction in revenue from Network Gaming under the proposed model, Federal Group would retain its commitment to being a significant long-term player in the Tasmanian gaming, hospitality and tourism sectors.

The THA and Federal Group are proud to have worked in partnership to identify a future operating model that provides for a sustainable gaming industry and positive outcomes for the Tasmanian community.



The Hon Mike Gaffney MLC  
Chair, Joint Select Committee on Future Gaming  
Markets  
Parliament House  
Hobart TAS 7000

By email Michael.Gaffney@parliament.tas.gov.au

21 September 2017

Dear Mike

**THE TASMANIAN HOSPITALITY ASSOCIATION AND FEDERAL GROUP  
PROPOSED MODEL FOR FUTURE GAMING ARRANGEMENTS FROM 2023**

I am writing in response to a request from the Joint Select Committee on Future Gaming Markets to offer a preliminary assessment of a joint submission by the Tasmanian Hospitality Association (THA) and Federal Group to the Committee (referred to here as 'the proponents').

The joint submission, which was tabled at a public hearing on 18 August 2017, proposes a model for future gaming arrangements for Tasmania from 2023.

Synergies' assessment of the proposed model is based on information contained in the proponent's submission and a Hansard transcript of the public hearing. We have not had the opportunity to meet with the proponents to discuss their model. Nor have we had any communication with the proponents to test our views on the model. Our assessment below therefore represents our preliminary observations.

**The proposed model**

The proposed model has some of the characteristics of a venue operator model but with some key differences to the venue operator structures used by other states for operating electronic gaming machines (EGMs) in hotels and clubs. The proposal has the following features:

- From 2023, Network Gaming would relinquish its current role as sole licence holder, owner and operator of all EGMs. Instead, hotels and clubs would be directly licensed as EGM operators by the Tasmanian Liquor and Gaming Commission (TLGC).
- Network Gaming would continue to undertake the monitoring functions on a fee for service basis (i.e. it would be a Licensed Machine Operator). This would include the 'sweeping' of accounts for payment of gaming taxes, licence fees and the Community Support Levy (CSL) to the Tasmanian Government. The monitoring fee proposed under the model is \$2.00 per EGM per day (equivalent to \$61 per EGM per month).
- Network Gaming would offer value-add services to hotels and clubs, on a non-exclusive and fee for service basis. Hotels and clubs could also elect to have Network Gaming finance and maintain their EGM fleet.
- The proponents' submission presents information to indicate that the revenues retained by Tasmanian hotels and clubs would increase under the proposed model. Currently, hotels and clubs are paid a commission of around 30% of gaming revenue. This is expected to increase to over 50% under the proposal.
- The proposal also involves changes to taxes and fees:
  - a lower tax rate for EGMs in casinos (just 20% inclusive of GST, down from 35% under current arrangements)
  - a higher tax rate for EGMs in clubs and hotels (an increase to 45% inclusive of GST, up from 35% under current arrangements)
  - an annual licence fee for EGMs would be set at uniform rate of \$1000 per EGM (indexed by CPI), irrespective of venue (i.e. apply to EGMs in hotels, clubs and casinos). Under current arrangements, an annual fee of \$1,065 per EGM applies.
- The CSL would remain unchanged at 4% for hotels and clubs. The proponents are not proposing to extend the CSL to EGM revenues in casinos.
- The proponents claim the model to be tax revenue neutral for government. It seems that this is achieved primarily through increasing the tax rate on hotel and club EGMs to 45% (inclusive of GST) and lowering the tax rate paid by Federal Group on EGMs in casinos to 20% (inclusive of GST).

## Assessment

### No addressing of Network Gaming's conflict of interest

Under the proposed model Network Gaming would continue to be the Licensed Machine Operator (LMO), and therefore does not address the potential for conflicts of interest in the



market (where the LMO provides both monitoring functions and is an owner of licensed gaming venues).

#### **Absence of tendering the LMO role**

The proponents do not countenance a scenario where the LMO function could be procured by government through a competitive tender. In evidence heard by the Committee at the public hearing on 18 August 2017, Mr Farrell representing Federal Group stated:

*There is no tender, however there is also no longer a single licence holder for the network. In the event that you held a different model and you decided you want to retain Network Gaming, or a company such as that, you may decide then that you would want to tender that licence on a certain set of terms and conditions. However, that licence is actually rescinded, so there is nothing to tender.*

This statement overlooks the possibility that government may wish to tender out the monitoring functions as a separate license, unbundled from the current network owner-operator license.

The proposed monitoring fee of \$60 per month appears high relative to what is being charged in other jurisdictions for an equivalent function (approximately double that applying in Victoria, recognising different jurisdictions involve LMO's providing slightly different services and the cost to serve not being uniform across Australia). In our view, this underlines the benefit to putting the LMO contract to the market test through a tender.

#### **No countenance given to establishing individual, tradeable EGM licenses**

The model does not propose individual EGM licences for each machine. It appears that under the proposed model a single venue licence would be issued by the TLGC that would entitle a venue to operate a fixed quota of machines. Nothing is said about whether the EGMs licenses would be transferable.

In evidence to the public hearings, Mr Farrell indicated that the proposal would see venue owners paying an annual license fee for each individual EGM:

*What the model is saying is that a venue that held 30 gaming machines on 1 July 2023 would then hold the license for 30 gaming machines for that venue. They would then be paying annual license fees of \$1000 per machine per annum, indexed into the future to continue to maintain their licenses. In the event that the machine numbers reduced over time, rather than paying that \$1000, it would be \$1000 less or \$2000 less.*

From this statement, it is clear that annual fees would be determined based on the number of individual EGMs, but it is not clear that each EGM would be assigned an individual license to facilitate transfer.

### Impact on revenue shares

At the public hearing on 18 August 2017, the proponents stated that the model would result in the following revenue outcomes:

- tax and license fee revenue for government will remain unchanged;
- gaming revenue to venues will increase; and
- revenue to Federal Group will decline in net terms by about \$15 million (Network Gaming will experience a reduction of \$30 million, but Federal Group would gain about \$15 million through lower tax rates in casinos and through higher retention of gaming revenues at its 12 hotels that operate EGMs).

It is unclear why the revenue returns to clubs and hotels are described in the proposal as a 'commission' under the new model. If clubs and hotels are to be assigned ownership over the EGMs in their venues, then they would by definition have the rights to all post-tax revenue generated by the machines, less any licence fees and payments to the LMO for monitoring services.

### Differential tax rates in casinos, clubs and hotels

Federal Group proposes that casinos should be taxed at a reduced rate (just 10% excluding GST, compared to the current 25.88% rate ex GST) to bring them into line with regional casinos in other jurisdictions, such as Darwin, Cairns and Townsville, which share similar characteristics to the Tasmanian casinos.

Federal Group's submission advances that moving to a venue operator model would also give rise to the need for differential (lower) tax rates for EGMs in casinos relative to those in hotels and clubs. It justifies this by saying that would no longer be able to average its tax liabilities across its hotel and casino operations.

*At present, the current model essentially means that there is an internal cross-subsidisation for both EGM taxes and gaming licence fees, from Wrest Point and Country Club to the hotel and club network. (page 68 of Federal Group submission)*

Federal Group also points to other jurisdictions, where differential tax arrangements apply. Page 68 of Federal Group's submission sets out a comparison of tax rates applied by other jurisdictions for EGMs in casinos and hotels. This table is reproduced below:



**Table 6 - Gaming taxes and casino licence fees in all Australian states and territories 2015-16<sup>16</sup>**

State/ Territory	EGM Hotel	EGM Club	EGM Casino	Table Casino	Keno	Licence Fees pa <sup>a</sup>
NSW	33.0-50.0%	0-28.4%	16.4-38.9%	16.4-38.9%	8.9-14.9%	Nil
VIC	55.0-62.5%	46.7-54.2%	31.6%	21.2%	24.2%	Nil
QLD	35.00%	17.9-35.0%	20.0-30.0%	10.0-20.0%	29.4%	\$0.9m
WA	n/a	n/a	12.4%	9.4%	9.4%	\$2.7m
SA	27.5-65.0%	21.0-55.0%	10.9-41.0%	3.4%	41.0%	Nil
TAS	35.0%	35.0%	35.0%	10.0%	15.0%	\$1.8m
NT	12.9-42.9%	12.9-42.9%	11.0-15.0%	9.1%	10.0%	Nil
ACT	25.9%	17.0-23.0%	n/a	10.9%	2.5%	\$0.9m

Federal Group makes the following observations:

- In jurisdictions other than Tasmania, EGMs are taxed at a lower rate in casinos than they are in hotels and clubs.
- The reasons for this include the major investments that casinos make in community and tourism infrastructure, responsible gambling, and compliance activity.
- The lower levels of EGM taxation make casinos more competitive with the generally smaller hotels and clubs.
- Federal Group contends that removing the model of one licensed gaming operator in Tasmania (i.e. moving to a venue operator model) will require a reform of EGM taxation to meet principles of “fairness and comparability”.
- Taxing EGMs in casinos at a lower rate than those in hotels and clubs would bring Tasmania into line with the arrangements in other key comparable states and territories, and allow all of the gaming licence holders to effectively compete with their counterparts in other jurisdictions.

Synergies does not regard the above to constitute a compelling case to change the current taxation arrangements applying in Tasmanian casinos. However, we believe that there is significant merit in adopting progressive tax rates for EGMs in hotels and clubs. Synergies considers the Government should identify options that achieve this outcome whilst leaving hotels and clubs (in aggregate) no worse off from the change.

#### Annual license fees

The THA-Federal Group proposal is to set license fees so as to maintain approximate revenue neutrality for government. At present license fees for EGMs are set at \$1,085. Network Gaming currently pays approximately \$3 million per annum in EGM license fees.

Under the proposed venue operator model, the individual venues would be responsible for paying the fees. The casinos would pay the same fee per machine as a hotel or club.

It is unclear whether the proponents are proposing to vary the annual licence fee for casinos (currently set at \$150,000 per month, or \$1.8 million per annum).

#### **Proposition of perpetual EGM licenses reduces flexibility for government**

It is proposed that the EGM licences for venues be grandfathered and be made perpetual. Having licences granted in perpetuity would constrain the government from achieving reductions to the cap in future periods. The proponents support the Government's policy of reducing the cap by 150 EGMs but are silent on how this is to be implemented, given that the proposed model is for venues to be licensed from 1 July 2023 for the same number of EGMs that they operated on 30 June 2023.

#### **Change in compliance costs under the proposed model**

There are divergent views among stakeholders about whether the proponent's proposed venue-operator model would result in a higher compliance costs for venues and the TLGC.

The TLGC has stated to the Inquiry, through its submission and in public hearings, that it expects that a venue operator model would increase compliance costs to both venues and the TLGC, primarily because the TLGC would have to deal with multiple venues in monitoring compliance with license obligations, while under current arrangements they only have to deal with one entity - Network Gaming.

The THA disagrees with this view. In the August 18 hearing, THA pointed out that under the proposed model Network Gaming would still be the central provider of monitoring services. The only thing that would change would be the ownership of EGMs, which would pass to the venues. Further, the THA presents evidence in its submission which shows that TLGC's compliance costs under Tasmania's current system are relatively high at \$1,781 per EGM, compared to a range of \$123 to \$1,186 per EGM in other states (all of which have venue operator models).

In the absence of a detailed assessment of TLGC compliance processes, and what additional compliance responsibilities would pass to venue owners under the new model, it is difficult to be definitive about how compliance costs might change.

In Synergies' assessment, the proposed venue-operator should not result in a material increase in compliance cost for the regulator, as similar approaches adopted by mainland jurisdictions have not caused compliance costs to increase.

In closing, Synergies would welcome the opportunity to discuss our preliminary observations with the Joint Steering Committee and to provide further input as required.

Yours sincerely



Euan Morton  
Principal

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PREMIER OF TASMANIA

JSC/GM 149

Hon Mike Gaffney MLC  
Chair – Future Gaming Markets Joint Select Committee  
Parliament House  
HOBART TAS 7000

07 SEP 2017

*Mike*  
Dear Mr Gaffney

Thank you for your recent letter on behalf of the Joint Select Committee on Future Gaming Markets.

I have noted the joint proposal by the Federal Group and the Tasmanian Hospitality Association. It is one of a number of structural options put forward in submissions to the Joint Select Committee.

I look forward to seeing the Committee's views on this proposal and all other evidence presented to it and I have nothing specific to add at this point.

Yours sincerely

Will Hodgman MP  
Premier



## Tasmanian Liquor and Gaming Commission

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Doc reference 17/146231

Hon Mike Gaffney MLC  
Chair  
Joint Select Committee on Future Gaming Markets  
Parliament House  
HOBART TAS 7000

Via email: [Stuart.Wright@parliament.tas.gov.au](mailto:Stuart.Wright@parliament.tas.gov.au)

Dear Mr Gaffney

Thank you for your letter of 28 August 2017 enclosing a copy of the joint submission of the Federal Group and the Tasmanian Hospitality Association proposing a model of direct licensing of hotels and clubs to own electronic gaming machines (EGMs) and inviting the Tasmanian Liquor and Gaming Commission (TLGC) to comment on the proposal.

As has been previously said, the current Joint Select Committee enquiry into Future Gaming Markets post 2023 provides a unique, "once in a generation" opportunity to provide the people of Tasmania with a safer gaming product. As such, the Commission is of the view that it ought to respond to your invitation under its legislative statutory functions (section 125) which include *inter alia*:

- to investigate and make policy recommendations to the Minister on matters relating to gaming and other forms of wagering; and
- to foster responsible gambling and minimise the harm from problem gambling.

In summary, the TLGC is not necessarily opposed to direct ownership of EGMs by individual venue owners although it is on the record as having outlined potential increased compliance issues and associated costs (for all) with such a model.

The Commission is concerned that the proposed model is not a result of a competitive market based mechanism (such as a tender). This was clearly stated in the Hodgman Liberal Government post 2013 Structural Gaming Framework.

A competitive mechanism would provide all potential operators (other than those already present) with the opportunity to enter a commercially profitable market (and the State to achieve a fair market price). More importantly from the Commission's point of view, this would represent an opportunity to test the market for the introduction of best practice harm minimisation measures such as mandatory pre-commitment.

Specifically, the proposed model does not provide any enhanced harm minimisation initiatives that would protect vulnerable people from EGM use. At best, it is claimed that the model would not increase the incidence of problem gambling. However, the TLGC has a long record of dealing with

compliance breaches in hotel venues and nothing in this model provides comfort that this would not continue and, in fact, increase.

Should the Government choose to proceed with the proposed model, the TLGC is strongly against the granting of gaming licences in perpetuity.

A more detailed response is found in the attached document.

On behalf of the Tasmanian Liquor and Gaming Commission, I thank you for the opportunity to comment on this proposal.

Should you have any queries or require any further information regarding this matter, please contact Melissa Ford on (03) 6166 4310 or email [Melissa.Ford@treasury.tas.gov.au](mailto:Melissa.Ford@treasury.tas.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenny Cranston', written in a cursive style.

Jenny Cranston  
Chair

8 September 2017

Encl:



## **Tasmanian Liquor and Gaming Commission (TLGC)**

### **Comments on the Submission to the Joint Select Committee on Future Gaming Markets from the Tasmanian Hospitality Association and the Federal Group**

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Owners/operators of hotels and clubs currently have individual gaming licences to operate electronic gaming machines (EGMs) in their venues. This authority is conferred under section 31 of the *Gaming Control Act 1993*, which states (*inter alia*):

- (1) A licensed premises gaming licence authorises the holder of the licence, subject to this Act and any conditions to which the licence is subject, to do such of the following things as are specified in the licence:
  - (a) to obtain gaming equipment of a type approved by the Commission under section 80 or 81; and
  - (b) to possess gaming machines and other gaming equipment at the licensed premises to which the licence relates.

Under the proposal in question, this would not change. The model proposes a change in the ownership of EGMs from one in which licensed premises gaming licence (LPGL) holders lease the machines owned by one licensed operator, Network Gaming (a company owned by the Federal Group), to an individual venue ownership model.

#### 1. Network Gaming

The TLGC is on record as saying that Network Gaming has been a “good corporate citizen” and we have not had any reported breaches related to the placement of EGMs by the company. Specifically, Network Gaming has provided a quality monitoring service of its machines and attended to faults and breach issues quickly, and kept the Commission informed in a timely manner.

The TLGC has no issues with Network Gaming owning the machines as a monopoly provided that it does so following a market tested, competitive process that provides transparency for the community and returns the appropriate revenue to Government (and the Tasmanian community) that such an entitlement is worth.

Under the proposal, the actual role of Network Gaming is not clear. It is positioned as undertaking “*base monitoring functions that are required to ensure that the Tasmanian Government can have sufficient confidence in the integrity of the system and the correct flow of taxation to Government*” (page 4 of the submission). Once the individual venues own the machines:

- do they have a choice as to the use of the “service” and at what cost?
- is it a compulsory part of this proposal and therefore another form of monopoly service?
- does Network Gaming receive the entitlement of exclusive provider of the service?

Network Gaming could very well become the "licensed monitoring operator" for all EGMs in Tasmania but would need to win this right through a competitive market process.

## 2. Hodgman Government's post 2023 Gaming Structural Framework

The proposal is not, in the view of the TLGC, consistent with the Hodgman Government's Gaming Structural Framework which states that "the right to operate these machines post 2023 will be allocated and priced by a market based mechanism such as tender."

This proposal appears to replace one form of monopoly with another – a direct licensing model for the venue operators licensed at 30 June 2023 without any competitive market process. This is clearly inconsistent with the Hodgman Government's stated intention of market testing and pricing entitlements.

It is claimed that *"the proposed model will provide certainty going forward for (Federal's) keno and casino businesses"* (page 7 of the submission). The Government has given conditional support for this to the Federal Group in its post 2023 Gaming Structural Framework.

## 3. Player protection and harm minimisation

Despite words to the contrary, there is no argument as to how the proposal would strengthen Tasmania's player protection and harm minimisation framework.

It is claimed, without evidence, that moving to this model "will not increase the incidence of problem gambling". The Commission considers that the incidence of problem gambling in Tasmania is not insignificant and that there is nothing in the proposal that addresses this.

The TLGC has a long record of dealing with licence breaches by individual venue operators despite the strong harm minimisation measures contained in Commission Rules and the Responsible Gambling Mandatory Code of Practice. For example, there are significant self-exclusion issues in venues; this is evidenced most recently by significant breaches around multiple uses of EFTPOS by a self-excluded problem gambler involving more than one member of staff.

The compliance issues particularly for small venues that would become owner/operators of EGMs remain a concern for the TLGC and there nothing in the proposal that addresses this concern. Additionally, there would be increased regulatory costs for venues and the Commission (Government) under the multiple owner operator model.

## 4. Licences post 2023

The model proposes that from 1 July 2023 the venues licensed are the same as those in operation on 30 June 2023. Without a market based process there is no opportunity for any stakeholder - community, regulator or other industry players - to influence the shape of EGM location into the future.

It is the view of the TLGC that perpetual licences should not be granted. This would create significant disincentive for the emergence of meaningful harm minimisation measures as technology and machines change over time. The TLGC's view is that the duration of licences should align more closely to machine turnover times of around seven years.

However, if Government was inclined to support perpetual licences, the Commission's view is that there would definitely need to be:

- an open tender process; and
- a process to allow for the community voice as to where licences are located.

#### 5. Taxation and fee/levy issues

Clubs (in particular) and small venues may struggle to remain viable under the proposed fixed price licence fee model (\$1000 per machine); these are the very venues that may also struggle to meet increased compliance costs.

#### 6. Community Support Levy

DHHS should be consulted regarding the role Neighbourhood Houses play in assisting problem gamblers. The TLGC's experience of these establishments is that they perform an important service for these vulnerable people who often have multiple negative issues impacting on their lives.

It is the view of the TLGC that the grants from the CSL should be directed more closely to organisations/groups that assist directly with problem gambling.

An industry responsible gambling program might well be an asset in assisting with harm minimisation. The TLGC sees no reason why this should not be funded by industry itself.

As per the TLGC's previous representations, it seems appropriate that those profiting from gambling, including casinos, be required to contribute to the costs of alleviating the harm caused to some by gambling.

## **Supplementary submission to the Joint Select Committee Inquiry into Future Gaming Markets**

**John Lawrence 25<sup>th</sup> August 2017**

This note is intended to provide the Committee with an overview of the economic and financial aspects of the joint proposal from the Tasmanian Hospitality Association and the Federal Group August 2017.

The proposal will perpetuate existing bad public policy. Benefits will accrue to a few existing participants in proportion to the benefits they have already received over the last 20 years. As a way of assisting businesses to grow it is poorly targeted. Allocating perpetual licenses to existing venues for nil consideration will not only give a windfall gain to a privileged few with unsubstantiated benefits for the wider community, but will tie the hand of future governments if ever they feel a need to make changes.

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## The end of the monopoly?

The proposal is trumpeted as an end to the monopoly, but in reality it represents only a slight change in the split of the spoils of the government protected gaming business in Tasmania.

The Federal Group has a monopoly gaming license in the State. There are three distinct parts to Tasmania's gaming business:

- The monopoly casino operations with EGMs Keno and table gaming.
- The venues which operate in the community including Federal Group's Vantage Hotels comprising twelve top performing pubs. Gaming grew after 1997 when the Federal Group extended the reach of EGMs into the community. It needed hotels and clubs as partners. Consequently while casino operations are a monopoly, the EGM industry outside casinos is more akin to an oligopoly, with multiple participants. There are barriers to entry erected by government which determines the numbers of EGMs. The government also determines prices, in this case how much players lose. For all intents and purposes it's a cosy oligopoly.
- The monopoly Network Gaming business (part of the Federal Group) which receives all the revenue from EGMs and Keno in the community, pays commission to venues with EGMs and Keno including Federal's Vantage Hotels, and also monitors and reports all gambling as required to the government.

The dilemma facing the Federal Group is that while there are considerable monopoly profits in Network Gaming, it was one area vulnerable to a competitor if the government opted for a tender process for network operations. The Federal Group was also under pressure from THA and other members of the oligopoly for a greater share of EGM profits for hotels and clubs. Monopoly profits give businesses value but with the exclusive license due to expire as early as 2023 Network Gaming was facing the possible loss of most of its value. A purpose built computer system with no license has little value. The better performing EGM hotels also rely on gaming to underwrite the capital value of their businesses. They too were looking at reduced values as 2023 approached.

It has therefore been proposed to shift most of the profits from Network Gaming either to the two casinos owned by the Federal Group or to hotels and clubs where the Group has a significant interest. The shift of profits to casinos is a double shift arrangement requiring the government to accept

more EGM taxes from hotels in return for cutting EGM taxes in casinos. The major stakeholders, the players themselves, were ignored.

The THA/ Federal Group proposal will see:

- A continuation of the casino monopoly with higher profits as a consequence of lower EGM taxes.
- A continuation of the oligopoly for EGMs outside casinos with higher profits shifted from Network Gaming and windfall capital gains as a consequent of perpetual licenses being granted for each venue for nil consideration.
- The scaling down of Network Gaming. The monopoly profits will be shifted either to the EGM hotel oligopoly where the parent Federal Group is a leading member, or to the latter's EGM operations in casinos. Network Gaming will provide the network services for EGM monitoring in hotels and will continue to run the monopoly Keno operation.

The Federal Group will continue as the major player in the State's gambling industry but with a slightly different share. With THA as a de facto partner it would be pointless for other network providers to tender for the job as network operator even if the government decided it was the preferred path. The suggested network charges set out in the proposal appear to be roughly what a competitive market may charge. This effectively shuts out possible competitors.

The current oligopoly will be strengthened. Competition post 2023 will be non-price faux competition, like free buses for residents of old persons' homes and other so called loyalty programs.

The community concern about the monopoly is not about the monopoly per se but the excess profits protected by government fiat which accrue to a few following a back-room deal when the community were denied access and participation in the division of spoils amongst those few.

The current proposal does nothing to address this concern. Whilst paraded as an end to the gaming monopoly it's just a slight rearrangement of the existing set-up. The suggestion that the supposed end of a monopoly will lead to better outcomes is largely a bogus claim. The EGM industry in pubs is, and will continue to be, a government protected privileged oligopoly.

## **What is the proposed deal for EGMs in hotels and clubs?**

Currently EGM player losses are split as follows: Federal Group via Network Gaming 31 per cent, commission to pubs and clubs 30 per cent, tax to the government 30 per cent and GST 9 per cent.

The proposed split is: Federal Group nil, pubs and clubs 51 per cent, the government 40 per cent and GST 9 per cent.

Network Gaming will receive \$1.7 million from pubs and clubs to monitor and report to government.

On 2015/16 figures this means Network Gaming will forego \$33 million. Federal Group will however benefit from the extra share to the Vantage Group which ensnare about a quarter of hotel and club EGM losses. Furthermore the proposal will reduce EGM taxes in casinos and casino license fees.

Overall the Federal Group will be about \$15 million worse off. This reconciles with the figure given to the Committee by Federal Group's CEO.

## **Will the government be better off?**

No. It will gain from increased EGM taxes in pubs and clubs, lose from reduced EGM taxes and license fees in casinos, but gain from an annual license fee for each EGM of \$1000 which is much higher than current fees levied by TLGC.

Overall the government will be in the same position, assuming compliance costs by the Tasmanian Liquor and Gaming Commission don't increase. They certainly won't fall with licenses at the venue level. How much they rise is uncertain at this stage.

## **The players' position?**

Players drew the short straw. There were no proposals to change the house percentage or any other parameters which help determine player losses. Players remain in the same position as those around them haggle over the booty so generously provided.



## **Pubs and clubs?**

Pubs and clubs will gain an extra 21% of losses which in 2015/16 terms means \$24 million. However pubs and clubs will pay an increased annual license fee per EGM to the government and a monitoring fee of \$730 per EGM per annum to Network Gaming. This will leave pubs and clubs, \$20 million better off. Of this figure about \$15 million will accrue to pubs and clubs outside the Federal Group. This latter figure is equal to Federal Group's reduced annual share.

That's it in a nutshell, a rearrangement of the oligopoly with pubs and clubs getting a bigger split of the pie post 2023 worth about \$15 million pa.

## **Venue licenses**

The joint proponents argued that a tender to allocate licenses "*would be very costly and generate considerable uncertainty and massive disruption for all stakeholders*", and instead proposed that existing venue operators be gifted licenses for the post 2023 period.

To spare the community the trauma and expense of a market based solution the proponents have agreed that perpetual licenses be allocated to existing venues.

Should that occur, as we have already noted, pubs and clubs other than those owned by the Federal Group will be better off by \$15 million per year. Add in Federal Group's hotels will give a figure of \$20 million per year in extra profits for EGM hotels and clubs. There's a rough rule of thumb used to value hotels. One dollar on the bottom line will enhance the value of a hotel by seven to eight dollars. Hence an extra \$20 million will increase the value of hotels across the State by \$150 million. The proposal mentions the average EGM hotel will receive a \$1.5 million windfall gain if licenses at the venue level are bestowed. With approximately 100 venues that's \$150 million. That's the rule of thumb at work, increase profitability by \$20 million each year and the value of businesses will increase by \$150 million.

It must be stressed the figure of \$1.5 million per venue is an average figure. The figure will vary across venues depending on player losses. For example the top performing EGM pub in Glenorchy will receive a windfall gain of probably \$4 million via increased capital value of its business. The Dover RSL Club on the other hand will show a minimal increase. The Federal Group will receive an estimated 25 per cent of the statewide windfall of \$150



million, other multi venue owners like the Woolworth owned ALH Group, and local groups including the Goodstone Group, Dixon Hotel Group, Kalis Group and the Prescott-Hibberd Group will share 50 per cent of the windfall, while the remaining 25 per cent will go to individual, mostly smaller operators.

The issue at stake here is whether allocating windfall gains to those at the head of the queue is the best public policy approach. Furthermore should those who benefit most from the current arrangement receive the proportionately highest windfall gain? We are not talking about compensation to those affected by an adverse government decision. We are talking about a brand new post 2023 arrangement to replace an agreement due to expire. It's all very well to minimise transitional costs but should participants receive a windfall gain? Of that magnitude? The point of a tender is to ensure the benefits of a license would be valued by the market and the sale value would be received by the government on behalf of the community. Federal Group/THA argue gifting licenses to existing EGM hotels and club is a superior way of allocating resources:

*"... this will allow them to make further investments in their businesses. These investments would have a positive impact on the communities in which these hotels and clubs operate, especially in regional areas that badly need new investments, increased economic activity and jobs."*

There may a possible grain of truth in the argument. It may happen as they say. But it may not. Even if it does it's not the optimal solution. The 2003 sole license agreement was predicated on the Federal Group investing in Tasmanian tourism and benefiting the community in much the same way as the current proposal expects. But most of the benefits of that license have been used to buy existing pubs and a bottle shop chain and pay large dividends to interstate shareholders. Even the mandated Saffire project required only six months' worth of the Group's cash surpluses. It wasn't a payment to government for the exclusive license. Federal Hotels still owns Saffire. So will hotels spend as they say? How have they spent EGM profits over the past 20 years? What's to stop them selling their business, cashing in the windfall gains and requiring the purchaser of the business to use the increased share of player losses to pay the bank loan needed to buy the business rather than invest in improving the business? At best it's a hit and miss public policy approach. At worst it's a shameless grab for a handout.

Federal Hotels' twelve EGM hotels in the Vantage Group will be ripe for sale if perpetual EGM licenses became a reality. The last three additions to the stable have cost over \$40 million in total, which when combined with the other nine plus the mooted windfall gain from individual venue licenses

means the pubs will be worth \$200 million. Without EGMs the value would be around \$60 million. It must be remembered the Federal Group owns only one quarter of EGM pubs on a value basis. That gives some idea of what the current battle to win the hearts and minds of government is really about. The government can hardly insist, as a pre condition, the Federal Group not sell its hotels thus preventing it from riding off into the sunset with saddlebags stuffed with proceeds from cashing the windfall gains?

Wouldn't it be better for the government to extract more in taxes each year and directly target where assistance may be required? To tourism infrastructure maybe? Drysdale training? To benefit other businesses including non-EGM hospitality businesses? To other government services starved of cash? There is absolutely no basis for pretending as the proposal does, that the best way forward for communities is to provide windfall gains to EGM operators so they may invest in their businesses.

The Federal Group expressed a view on this matter in its 1993 submission to the LegCo inquiry into extending EGMs into the community.

*"Claims of substantial economic benefits through the development of expanded facilities in hotels and clubs may be overstated. It is generally acknowledged that Tasmania is over supplied with licensed premises. In this situation, revenue from machine gaming in many instances would be applied to debt reduction or hoteliers' profits rather than improved facilities..."*

One aspect of the proposal to allocate licenses to individual venues is that they be perpetual licenses. To allocate perpetual licenses resulting in large windfall gains to existing proprietors for nil consideration, and expose the government to pay future compensation if altered policy affects the profits of license holders would be reckless public policy.

Asserting the grant of perpetual licenses will unleash a new round of investment in new facilities reflects a naive view. What occurs when a new asset is created like a perpetual license is that financiers and investors will be attracted by the lure of making returns from a license protected by government. Take the case of taxi licenses. Once upon a time a taxi license was a permit to drive a taxi. Over time a separate taxi license was created and a system of license holders, operators and drivers evolved. License holders, often absentee investors, gradually took an increasing share of taxi revenue at the expense of operators, drivers and consumers. This made the taxi industry vulnerable to an alternative model like Uber. What will happen if perpetual licenses are granted to EGM venues is the value of hotels will be placed out of reach of smaller operators. A system where gaming operations in venues will be leased out to larger gaming operators is a distinct possibility. License holders will want a return on their investment just as

taxi license owners have done, to the detriment of consumers and communities. It's fanciful to assert that all license holders will plough their returns back into the community. There's no evidence from past practices across industries that this is likely to occur.

Guiding principle five put forward by the government states the "*duration of any license should be commensurate with among other things the level of investment necessary to underpin the delivery of the gaming operation.*" We are currently over the post 2023 EGM cap in number terms, hence no further investment is required for gaming operations and any maintenance or enhancements can surely be funded from ordinary profits, just like any other activity for any other business. The government's guiding principle provides no support for giving licenses for nil consideration in the hope license holders may invest and grow their businesses. The proposal is public policy nonsense.

## **Employment aspects**

The afore mentioned 1993 Federal Group submission to the LegCo inquiry also set out a case study of EGMs in the two casinos. The wage component for EGM operations was 5.53% of player losses. This assumed the house percentage from EGMs was 15 per cent. Currently the house percentage is 10 per cent. Adjusting for this gives a current wage component of 8.3 per cent of player losses. This is similar to the figure of 7 per cent in a previous submission by the writer and by the Dixon Hotel Group. Given the 2016 player loss figure from EGMs in pubs and clubs was \$114 million this means the number of FTEs involved in gaming in pubs and clubs is around 200. Of course employees carry out a multitude of tasks, but the specific gaming wage component is only around 7 to 8 per cent of player losses

The THA was asked about the employment effects should EGMs be removed from hotels and clubs. The answer was a loss of 1,000 jobs. Presumably this means 1,000 FTEs and includes Federal Group pubs. That's what a THA member's survey found. Ignoring the possibility that such a survey lacked scientific rigour where answers tend to be skewed when responders' livelihoods are under threat, which jobs will go? For starters the 200 gaming FTEs. That leaves 800 others. From the food and bar areas? Can't be from anywhere else? If FTE wages are \$40k per year that's \$32 million less wages in hotels' food and bar departments. In the bar area wages are around 20 per cent of turnover and for food about 35 per cent. Let's say 30 per cent average across the two departments. Applying this percentage, a loss of wages of \$32 million implies reduced food and bar revenue of \$106 million.

The high risk and problem gamblers contribute almost half the EGM losses but little in the way of extra food and bar sales. On the other hand the low risk social gamblers spend a lot more on food and drink compared to their gambling outlays. So for the loss of 1,000 jobs to be valid, the latter category of players would need to cease patronising hotels. Where will they eat and drink? What will they do with the extra cash? Spend it elsewhere? Hide it under the bed? In addition aren't there patrons who might return to hotels if EGMs are removed? Peter Hoult for one gave evidence on the 15<sup>th</sup> Feb he doesn't go to pubs with pokies. There's bound to be others.

There's no evidence that the job losses from changes to EGMs in hotels, resulting from either increasing the tax rates or transitioning them out of communities, will be as catastrophic as the claims from those operators who will be most affected have suggested. Of course there will be adjustments problems particularly by those with disproportionately high level of gaming revenue who have benefited most from the current arrangements. If change of any description is ruled out because those who will benefit most from the status quo may be affected, we would never see any change. Ever. Weren't there adjustment problems for non EGM businesses when EGMs were first introduced into the community?

The industry knows much more about employment than it has so far admitted. The committee endeavoured to get more details of Federal Group's EGM employment numbers but were fobbed off by the Group's Dr Hanna who proffered the disingenuous explanation that Deloitte's modelling did not provide sufficient breakdown to be able to answer the question. Regardless of what Deloitte may have fed into its model which is based on ABS statistical categories which businesses don't use as part of their management systems, every hotel owner knows employment numbers in each department in each venue. It's basic management accounting information. Deloitte took management information from Federal Group, fed into a model based on ABS statistical groups and when asked about the original data Dr Hanna in effect said the model only provided aggregate information. It was a gobsmacking answer. The dog ate his homework.

### **Gambling taxes generally**

The writer has previously raised the need to be clear about the rationale for gambling taxes, whether to raise government revenue (arguably it isn't) or for distributional reasons, for example to redistribute excess profits and windfall gains back to the community. When analysing the appropriateness of taxes it is useful to have some understanding of tax theory particularly

the concept of tax incidence and also the broader public policy principle of horizontal equity.

### **Legal versus economic incidence**

This is essentially the difference between who pays a tax and who actually bears the cost. The two sometimes coincide, but often they don't.

GST for instance is paid by most businesses. It's a legal requirement. The legal incidence of the GST falls on business shoulders. But the real burden of the tax falls on the final consumer. This is the economic incidence. This may appear little more than a question of semantics but it is important when arguing for or justifying a particular tax.

EGM taxes are similar. The Federal Group is the legal taxpayer, but the burden of the tax is with the player. The gambling industry needs to give up the pretence it pays gambling taxes. The players do. The economic reality is that the government provides a highly protected environment to conduct gambling operations and allows the industry to retain most of the player losses. The industry maintains gambling taxes are an impost. This is wrong. They are a benefit bestowed on venues by governments.

Businesses are mere agents for the collection of GST. It is not theirs. Similarly the gambling industry members are agents for the government/community in respect of gambling losses. It's not a question of how much they pay but rather how much the government allows them to retain. The question as to how much they retain should, in part at least, be decided by the principle of horizontal equity.

### **Horizontal equity**

The principle of horizontal equity requires similarly situated individuals to be treated equitably. Not equally but equitably. If one sector of the hospitality industry has been provided a highly protected environment to operate it gets preferential treatment compared to another operating outside the protected zone where market forces will differ. One cannot treat the two equally because they operate in different areas but one can treat them equitably. That's why a market based solution was proposed by the government to bring a bit of equity back into the system, which Federal Group/THA now propose to sidestep, ostensibly to avoid costs and hassles.



Horizontal equity is for all intents and purposes the same as the level playing field concept which one often encounters in public policy discussions.

The principle of horizontal equity is also relevant when assessing whether EGM tax rates in casinos should be less, whether the casino EGM operator should pay the Community Support Levy (CSL) and whether the tax rate on Keno should be so much less than the tax on EGMs.

Horizontal equity is a useful starting point when assessing competing proposals. A government may choose to depart from a rigorous application of horizontal equity, for example, if it perceives there may be skill or knowledge spill over effects into the rest of the economy. This doesn't occur with gambling as others have testified. It displaces existing activity and generates less employment than most other business activity. It's made worse in the Tasmanian case because of the large leakage of profits via dividends to interstate shareholders.

There hasn't been any evidence of which the writer is aware that gambling deserves special treatment because of the extra benefits it brings compared to other activities.

Ironically Anglicare and others who wish to see EGMs removed, implicitly adopt the horizontal equity approach. As they submitted in evidence, they view spill over effects as negative, with social costs exceeding economic benefits, so rather than give the EGM industry extra support, government endorsement and protection should be withdrawn.

Using a yardstick is essential when judging different proposals. How else is it possible to compare the various assertions?

## **Hypothecation and the CSL**

Federal Group's CEO doesn't recognise the CSL as a separate impost but rather a hypothecation of gambling taxes by government. The CSL for pubs is not a levy per se but rather extra tax payable by pubs compared to casinos. Governments can deem any amount it wishes as a separate levy. This argument was advanced when the CEO was justifying why casinos shouldn't have to pay the CSL even though it's locals who incur almost all the losses.

The CEO has a point about hypothecation. The CSL is in reality a tax. However horizontal equity deems casinos should pay the same rate as hotels. The Federal Group CEO argued for lower EGM taxes in casinos so as

to align them with other regional casinos in Australia thereby making them competitive nationally. Yet the Tourism Industry Council of Tasmania was unequivocal in evidence to the inquiry there is no link between gambling and visitation to Tasmania. It's questionable whether horizontal equity should be interpreted as narrowly as Federal Group's CEO has done, to mean all casino EGMs pay the same rate of tax across Australia or whether it should be interpreted to mean casino EGMs should pay the same amount of tax as hotel EGMs throughout Tasmania leaving both treated equitably compared to all other hospitality operators in Tasmania. The government's woolly guiding principles and proposed policy positions are of no assistance.

The views of Federal Group CEO given in his verbal submission suggesting the CSL was a hypothecation rather than a separate levy appeared to be contradicted by the written proposal which supports a continuation of the CSL derived from hotel EGM losses only. If it's a hypothecation by government and not a separate levy why is the Federal Group/THA trying to tell the government how to spend the money? It's been a long running bone of contention with the THA's General Manager that some local governments want EGMs removed from their areas yet welcome spending pursuant to the CSL. It's seen as hypocritical. With a better understanding of tax theory the THA might appreciate CSL spending comes from the pockets of punters not industry. Rather than erect a plaque in the local sports ground to celebrate the generosity of industry, it is just as easy to argue the plaque inscription should offer an apology to the community as the facility was all that could be afforded from the miserable two per cent returned to the community from the CSL.

### **The end of the tender process?**

If the joint proposal gains favour there won't be enough room in the small Tasmanian market for another network provider to monitor EGMs in competition with Network Gaming and hence a tender process is pointless.

Furthermore there'll be no need to tender licenses at the individual venue level as all venues will take up the licenses if offered.

Hence the hotel oligopoly and the casino monopoly will be able to keep secret full details of the profitability of their government protected EGM operations. However some details have come to light. The wage component of gambling is quite low compared to other areas of hospitality. The network cost to monitor and report EGM transactions is only \$730 per EGM per year which is why the Federal Group was able to surrender some of its excess profits. Keno monitoring costs must be even lower and given there are far

fewer Keno terminals than EGM machines and a considerably lower tax rate, the profits from Keno must be significant. Why shouldn't the principle of horizontal equity apply? It's a government sanctioned monopoly acquired for nil consideration?

Rather than signalling an end to a monopoly, the proposal is simply a reorganisation of the existing arrangements. The Federal Group will continue as part of the arrangement but with a different share. It will remain as the largest hotel owner and as provider of network services via its subsidiary Network Gaming. The proposal will see the continuation of existing Keno arrangements, a lowly taxed, highly profitable monopoly which like the fabled goose continues to lay golden eggs.

The proposal is a business as usual plan. It represents bad public policy.

*(Disclosure: The writer has an interest in a tourism venue with EGMs)*



## Appendix E: Public Hearings

DATE	LOCATION	WITNESS
7 February 2017	Hobart	Department of Treasury and Finance
		Department of Health and Human Services
		Tasmanian Liquor and Gaming Commission
		Federal Group
8 February 2017	Hobart	Dr James Boyce
		John Lawrence
		Australian Leisure and Hospitality Group
		Dixon Hotel Group Tasmania
		Clubs Australia
		Gaming Technologies Australia
		Tasmanian Hospitality Association
		Tourism Industry Council
		Gaming Impact Society (NSW)
14 February 2017	Hobart	TasCOSS
		Holyoake Tasmania Inc.
		Anglicare Tasmania Inc.
		Local Government Association of Tasmania
		Neighbourhood Houses Tasmania
		Mission Australia
		Tasmanian Baptist Churches
		Australian Christian Lobby
		Men's Resources Tasmania
15 February 2017	Hobart	Relationships Australia Tasmania
		Women's Health Tasmania
		Community Voice on Pokies Reform
		The Salvation Army – Tasmania Division
		Australian Association of Social Workers – Tasmanian Branch
		Peter Hault
28 February 2017	Hobart	Rein in the Pokies
		Tasmanian Audit Office
22 March 2017	Hobart	Tasmanian Government
26 June 2017	Brisbane	Clubs Queensland
		Relationships Australia (Queensland)
		Queensland Hospitality Association
		Office of Liquor and Gaming Regulation Queensland
27 June 2017	Melbourne	Office of Liquor, Gaming and Racing Victoria
		Gambling Harm Prevention Victorian Primary

		Care Partnerships
		Victorian Interchurch Gambling Taskforce
		Victorian Commission for Gambling and Liquor Regulation
25 July 2017	Perth	Uniting Communities South Australia
		Australian Hotels Association Western Australia
		Racing, Gaming and Liquor Western Australia
		Western Australian Council of Social Service
26 July 2017	Adelaide	Independent Gaming Authority, South Australia
		Shonica Guy
11 August 2017	Hobart	Peter Hoult
		Tasmanian Liquor and Gaming Commission
		Anglicare Tasmania Inc.
		Professor John Mangan
18 August 2017	Hobart	The Australia Institute Tasmania
		Federal Group
		Tasmanian Hospitality Association
		Tasmanian Audit Office
		Victorian Responsible Gambling Foundation

### Site Visits 2017

Date	Name	Location	Attendance
26 May 2017	Network Gaming	Sandy Bay	Robert Armstrong Mike Gaffney Tania Rattray Andrea Dawkins
26 May 2017	Shoreline Hotel	Howrah	Robert Armstrong Mike Gaffney Tania Rattray Andrea Dawkins
4 July 2017	The Ville Resort Casino	Townsville	Robert Armstrong
4 July 2017	Cowboy Leagues Club	Townsville	Robert Armstrong
4 July 2017	Sun Hotel	Townsville	Robert Armstrong
5 July 2017	Reef Casino	Cairns	Robert Armstrong Mike Gaffney
5 July 2017	Club Visit	Cairns	Robert Armstrong Mike Gaffney
25 July 2017	Crown Perth	Perth	Robert Armstrong Mike Gaffney Tania Rattray
26 July 2017	Adelaide Casino	Adelaide	Robert Armstrong Mike Gaffney Tania Rattray

## Appendix F: Meeting Attendance Record 2016-17

DATE	ARMSTRONG	GAFFNEY	RATTRAY	BACON	COURTNEY	DAWKINS
31 August 2016 (Hobart)	✓	✓	✓	✓	✓	✓
13 September 2016 (Hobart)	✓	✓	✓	✓	✓	✓
14 October 2016 (Hobart)	✓	✓	✓			✓
16 December 2016 (Hobart)	✓	✓	✓	✓	✓	✓
21 December 2016 (Hobart)	✓	✓	✓	✓	✓	✓
7 February 2017 (Hobart)	✓	✓	✓	✓	✓	✓
8 February 2017 (Hobart)	✓	✓	✓	✓	✓	✓
14 February 2017 (Hobart)	✓	✓	✓	✓	✓	✓
15 February 2017 (Hobart)	✓	✓		✓	✓	✓
28 February 2017 (Hobart)	✓	✓	✓	✓	✓	✓
22 March 2017 (Hobart)	✓	✓	✓	✓	✓	✓
10 April 2017 (Hobart)	✓	✓	✓	✓	✓	✓
22 May 2017 (Hobart)	✓	✓	✓	✓	✓	✓
23 June 2017 (Hobart)	✓	✓	✓	✓	✓	✓
26 June 2017 (Brisbane)	✓	✓	✓		✓	

DATE	ARMSTRONG	GAFFNEY	RATTRAY	BACON	COURTNEY	DAWKINS
27 June 2017 (Melbourne)	✓	✓	✓			✓
25 July 2017 (Perth)	✓	✓	✓	✓		✓
26 July 2017 (Adelaide)	✓	✓	✓	✓	✓	
11 August 2017 (Hobart)		✓	✓	✓	✓	✓
18 August 2017 (Hobart)	✓	✓	✓	✓		✓
5 September 2017 (Hobart)	✓	✓	✓	✓	✓	✓
6 September 2017 (Hobart)	✓	✓	✓	✓	✓	✓
7 September 2017 (Hobart)	✓	✓	✓	✓	✓	✓
15 September 2017 (Hobart)	✓	✓	✓	✓	✓	✓
18 September 2017 (Hobart)	✓	✓	✓		✓	✓
22 September 2017 (Hobart)	✓	✓	✓	✓	✓	✓
25 September 2017 (Hobart)	✓	✓	✓		✓	✓
26 September 2017 (Hobart)	✓	✓	✓	✓	✓	✓
27 September 2017 (Hobart)	✓	✓	✓	✓	✓	✓

## Appendix G: Dissenting Reports

### Dissenting Report

Presented by Andrea Dawkins, Greens Member for Bass

### Background of the Inquiry

A Ministerial Statement from the Treasurer provided the impetus for the Inquiry. The Ministerial Statement essentially argued for the status quo, whilst at the same time suggesting that the public interest be taken into account. Having a contradictory party policy as a term of reference was commented on by former Chair of the Tasmanian Gaming Commission, Peter Hoult, who said,

*"I think I said at the start I thought you had weird terms of reference. I think they are even weirder, given the fact that the Government came out with a policy statement, which basically, in broad terms, said the status quo will continue. It said a few little things about high roller casinos and stuff like that but that is almost by the by. Basically, the principles say that there will continue to be an electronic gaming industry in Tasmania which involves pubs and clubs."*

### General Comments

The social services sector made compelling arguments as to why the status quo should be broken. As we heard over and over again, it is the poorest in the community who lose almost \$200 M per year, money which could be better spent in local businesses to the betterment of the whole community. As Professor John Mangan pointed out, the current arrangements mean that the excess profits from EGM losses in Tasmania exit the state, into the pockets of one wealthy Sydney family. Economic modelling shows that the money currently lost to Tasmania would be spent in local communities, should EGMs be removed from hotels and clubs.

There was discussion around the idea that money currently lost on pokies would be spent on other forms of gambling, but the research simply fails to back that up. In Norway, when poker machines were removed for a period, there was no discernible increase in online gambling.

Accessibility is the number one issue for people who have found themselves under the thrall of EGMS. If we remove EGMs from our hotels and clubs we remove the number one reason people play them, and there is no evidence to suggest that the issue will move online. There are very different cohorts of people who play each (young men as opposed to older people) and the operant conditioning techniques which are programmed into EGMs are difficult to translate to an online platform. Comments from Mr Farrell that people played pokies not to win money but to be entertained were not supported by evidence.

The majority report comments that revenues from gambling in Tasmania on Keno, EGMs and from general table games does not reach the same percentages as other comparable regions in Australia. There is a concern that should we increase the revenue to government and introduce owner operator licenses with higher taxation, that not only will the government become dependent on the revenue, but also that a more competitive industry could emerge which could further disadvantage Tasmania's poorest communities.

The Mandatory Code of Practice for Gambling cannot adequately protect consumers. Harm minimisation measures such as \$1 bet limit and mandatory pre-commitment will reduce harm, but should the Parliament vote to bring these measures in, there will still be families devastated by these machines.

Parliament should at the very least make sure the Community Interest Test applies to all licenses when they are renewed post 2023. This would at least allow the public sentiment, which was strong throughout the hearings, to be expressed in assessment of licenses in local areas.

### **Dissenting Statement**

This dissenting report is based on the strongly held view that the majority report has largely overlooked the evidence presented to the community which overwhelmingly supported removal of EGMs from hotels and clubs in Tasmania.

The submissions from, and committee discussions with, those who have first-hand experience of the consequences of the addictive nature of high intensity electronic gaming machines have not been reflected in the recommendations.

Despite a majority of submissions to the inquiry confirming the widely held view that EGMs should be removed from hotels and clubs in Tasmania, this recommendation did not receive a favourable vote in the majority report.

The Inquiry heard from many agencies in the social services sector, from analysts, economists and historians, as well as those with vested interests in continuing to license EGMs in Tasmania's hotels and clubs.

In the final recommendations, the views of those with financial interests in the industry were favoured, to the detriment of making a strong statement around positive social change.

I dissent from any measures which would complicate the process of removing EGMS from hotels and clubs.

These measures include increasing revenue to government which would only support the status quo by risking dependence on that revenue. Currently revenue is only 1% of the total budget and within the variable range.

A position on recommending a sliding scale for taxation on machines was adopted by the majority. Whilst there is recognition this could see machines return less profit and therefore reduce their appeal commercially, as a harm minimisation measure this is laborious.

There is also evidence to suggest that opening up to multiple licence holders and multiple license monitoring operators (LMOs) would complicate the process of removal of EGMs.

We have a once in a lifetime opportunity to remove high intensity electronic gaming machines from Tasmania's poorest suburbs when the current arrangements expire in 2023, but the majority report failed to find in favour of that change.



### Dissent from Recommendations

6. Further investigation is needed by the Government to ascertain an appropriate duration of EGM licence that is of sufficient length to create investment certainty for industry.
17. A progressive (sliding scale) tax be introduced for EGMs in hotels and clubs.
18. The Government identify options that maintain the profitability of Hotels, Clubs and Casinos (in aggregate) if a progressive (sliding scale) tax is introduced.
19. In the implementation of recommendation 17, the Government identify options that achieve this outcome whilst leaving hotels and clubs and casinos (in aggregate) no worse off from the change.
20. A venue operator model is desirable for EGMs and appropriate transitional arrangements put in place to accommodate industry participants.
21. During a transition period, Network Gaming would be able to continue its existing EGM lease arrangements with venues.
22. If the LMO owns EGMs, an appropriate ring-fencing arrangement is required between its EGM gaming business operators and its monitoring role.

### Additional comments based on evidence presented to the committee

1. The evidence presented to the Committee was overwhelmingly in favour of removing EGMs from hotels and clubs;
2. There was a significant amount of evidence presented to the Committee from the social services sector and health professionals that outlined the immense social harm caused by problem gambling;
3. Independent economic analysis from Professor John Mangan provided an outline of the potential for *significant* economic benefits to Tasmania from the removal of EGMs in hotels and clubs, which was at odds with the analysis provided by gaming industry representatives;
4. Whilst the arguments from the industry promoted the libertarian model of personal choice and self-restraint, the social services sector argued that a social determinants of health model should be applied to EGM use in Tasmania, especially in regard to the placement of machines. There is little doubt that EGMs are in our poorest suburbs because that is where those who are hoping for a 'pokies miracle' are most likely to reside;
5. An important shift in the treatment of people who find themselves with problems associated with EGM use has occurred in the public health space. People are no longer seen as the problem - but the machines are. They are designed for dependency. EGMs can be designed in any way the manufacturers choose, but operant conditioning techniques are deliberately built in because their dopaminergic effects keep people coming back;

6. When EGMs moved into our hotels and clubs in 1992 it was not with the support of the wider community. They still do not have community support, and in fact there is an overwhelming number of people who want to see the numbers of EGMs in Tasmania reduced and/or removed from hotels and clubs;
7. The THA have misrepresented the attitudes of small businesses in Tasmania with regard to EGMs in Hotels and clubs, as shown by the open letter from small businesses to the Premier, delivered by Dr James Boyce. There are also contradictory statements being made around employment in the hospitality sector. On one hand the industry says people will lose jobs should EGMs be removed from Hotels and Clubs, but on the other there is wide recognition that there are not enough hospitality workers to fill vacant positions in the sector;
8. It was clear that the government has positioned itself to design and maintain a sustainable gambling industry. Rather than government maintaining the conditions required for an industry which receives a significant proportion of its revenue via EGM addiction, the business of government should be supporting those who are preyed upon by the industry; and
9. Both Labor and Liberal parties have disclosed donations for the Federal Group from past elections, and this will be likely to continue.

#### **Additional Recommendations**

1. Poker machines to be removed from hotels and clubs by 1<sup>st</sup> July 2023.

But at a minimum -

2. From 1<sup>st</sup> July 2023, consideration is to be given to a public interest test to facilitate a voice for community views on the location of all EGMs in Tasmanian hotels and clubs; and
3. Consideration is to be given to harm minimisation measures such as \$1 bet limits and mandatory pre-commitment for EGMs from 1st July 2023



Andrea Dawkins

Greens Member for Bass

27<sup>th</sup> September 2017



## **Dissenting Statement of Ms Sarah Courtney MP**

### **1. Introduction**

On 17 March 2016 the Treasurer delivered a Ministerial Statement which sought to outline the “principles which are guiding our thinking and also the Government’s policy positions on key structural elements of the Tasmanian gaming sector post 2023”

The Ministerial Statement confirmed the Government’s desire for an “open and transparent process that the community and other stakeholders can engage in”

On 6<sup>th</sup> April 2016 the Tasmanian Government outlined a clear set of Guiding Principles and a Proposed Policy Position for the post-2023 Gaming Structural Framework that had been outlined in the Ministerial Statement.

### **2. Recommendations**

2.1 That Recommendation 1 of the Joint Select Committee on Future Gaming Markets be rejected. The number of EGMs in Tasmania post-2023 should decrease from the current state-wide cap of 3680 to a cap of 3530 machines.

2.2 That Recommendation 2 of the Joint Select Committee on Future Gaming Markets be rejected. Any “significant” reduction of EGMs in hotels and/or clubs “by 1<sup>st</sup> of July 2023” would have devastating economic and employment impacts on many businesses and communities as well as undermining confidence in the government. The cap on the number of EGMs in Tasmania post-2023 should be 3530 machines.

2.3 That Recommendation 4 of the Joint Select Committee on Future Gaming Markets be rejected. Public money should not be used to buy out EGMs from pubs and/or clubs as this would put the viability of these establishments at risk and potentially cost jobs in regional Tasmania. Any relocation of EGMs into new hotel and/or club venues should, however, be subject to a public interest test

2.4 That Recommendation 13 of the Joint Select Committee on Future Gaming Markets be rejected. While any license for a high roller non-resident casino should reflect market terms, the first opportunity to apply for such license should be afforded to Mr Walsh given his initial proposal for such a casino.

2.5 That Recommendation 16 of the Joint Select Committee on Future Gaming Markets be rejected. The future operator of Keno in Tasmania should be subject to taxation and license fees that are comparable to other jurisdictions and appropriate given the terms of an exclusive license. Any arbitrary "increase" in tax should not be supported.