

Joint Select Committee on Future Gaming Markets

Submission by Federal Group

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Section 1 Executive Summary



Federal Group welcomes the opportunity to provide a submission to the Joint Select Committee. This Inquiry represents the most significant investigation of gaming licence arrangements in nearly 50 years.

Federal Group has a long history as a hotel and casino operator, with a strong profile in Tasmania for 60 years. The company has evolved to now be the biggest private sector employer in Tasmania and a major investor and operator in the Tasmanian tourism and hospitality industry. Federal Group is a diverse service based business that is family owned and made the unusual transition from a public company with a national focus to a private, family owned company with a major focus in the state of Tasmania. The company, its owners and its nearly 1,900 Tasmanian employees all have a passion for Tasmania and want to be a part of the future success of the state.

Federal Group puts back into the Tasmanian community in many ways; including as a significant taxpayer, a major supporter of local charities and events, and actively promoting and supporting the use of Tasmanian goods and services in its businesses. The company has recently made, and is continuing to make, significant investments in new facilities and improving the quality of its existing facilities. These investments have a significant value and create jobs for Tasmanians in both the development and operational stages.

Federal Group's previous investments have been catalysts for the locations and industries in which they have been made. For example, Wrest Point and Country Club stimulated air access to the state, stimulated the local tourism and hospitality industries, and were a source of regional and state pride for locals. Saffire Freycinet has stimulated the luxury tourism market in Tasmania and opened up the state to a new set of customers from Australia and around the world. The company also has significant plans for further investment in Tasmania over the coming years that will continue to expand and solidify the growing reputation of Tasmania as a great place to live and visit.

The company recently engaged Deloitte Access Economics to assess the contribution that the company makes to Tasmania. The report clearly demonstrated that Federal Group makes a very significant positive contribution to the Tasmanian economy (\$343 million a year in value added), on Tasmanian employment (2,337 FTE jobs), on Tasmanian state government taxation (8.5% of Tasmanian state taxation revenue), on the visitor economy, and on the Tasmanian community.

Gaming in Tasmania has developed responsibly under the exclusive licence holder arrangements. Federal Group has helped to deliver a well-managed gaming industry with high levels of compliance and player protection.

The one operator model has also provided the Tasmanian Government with significantly reduced operating costs for the oversight and regulatory provisions of the Gaming Control Act. Federal Group has managed the changes involved in the developing Tasmanian gaming industry since 1973, and played a strong part in the development of the Tasmanian tourism industry and the national casino and gaming industry.

Tasmania has a long history of gambling and has been a leader in forging some of Australia's key gambling industries – including lotteries and casinos. There is a range of different gambling forms licensed in Tasmania but this is becoming less relevant as internet and mobile technology is disrupting traditional regulatory systems and increasingly attracting younger Tasmanian gamblers. EGM and casino gaming player expenditure in Tasmania has been in decline for the last decade and this has been particularly pronounced in casinos. Rates of EGM player expenditure and the density of EGMs in the community in Tasmania are well below most states and the national average. Similarly, the rates of problem gambling in Tasmania are falling and below the national average and rate in most other states.

Gambling in Tasmania (and especially EGM gaming) has been more thoroughly examined and researched than in any other Australian state or territory. In addition to regular gambling prevalence studies of the Tasmanian population, reports have focused on many key aspects of Tasmania's gambling environment. The third Social and Economic Impact Study report demonstrated clearly that Tasmania has the strongest controls in Australia, the most comprehensively researched gambling environment in Australia, and among the lowest problem gambling rates in Australia.

The location of EGMs in Tasmania has been determined by a range of historical factors – such as where existing hotels and clubs were located and the licensees that were interested in offering EGMs in their venue. While reports such as the "Heatmap" produced by Anglicare indicate that some municipalities have a high concentration of average EGM expenditure by local residents, the methodology used does not evidence this claim and the results are highly skewed. The EGMs in use in Tasmania are all compliant with the rigorous National Standard and have significant controls in place to comply with the Tasmanian regulatory environment for EGMs – which incorporates the strictest controls and harm minimisation measures in the country.

The Terms of Reference for this Joint Select Committee inquiry include an assessment of the Tasmanian Government's proposed approach to the issue of gaming licences beyond 2023. The approach is outlined in the document "Hodgman Liberal Government post-2023 Gaming Structural Framework". The company is in broad agreement with much of the Framework, although it is by its nature a broad document and the issues are complex. Much of the challenge in designing an approach to gaming licences beyond 2023 will be in the detailed consideration of many of the broader issues contained in this Framework.

Federal Group recognises that there are two alternatives if the decision was taken to adopt "market based mechanisms" for licensing EGMs in Tasmanian hotels and clubs. These are the current single operator model or direct licensing of each hotel and club. The current single operator model has worked effectively for the last 20 years, although Federal Group recognises that there would be an option to move to the direct venue licensing model in place in other states and territories. The Committee should note that with market based mechanisms employed to assign licences, both options would be complicated and include increased levels of risk.

The current gaming taxes and licence fees in Tasmania have evolved in a unique way due to the single licensed operator being in place. If the arrangements change from 2023 then the taxes and licence fees will need to provide a more efficient and sustainable arrangement that is fair to all parties, while not decreasing the overall tax take for the Tasmanian Government. Reforms are particularly required in EGM tax rates applied to casinos and annual licence fees. Federal Group contends that the arrangements in place in other Australian regional centres with casinos should provide an appropriate model for Tasmania post-2023 – especially those applicable in Townsville, Cairns and Darwin.



The harm minimisation and player protection measures affecting EGMs (and other forms of gambling) in Tasmania are comprehensive. Any comparison with the measures in other Australian jurisdictions will lead to the conclusion that Tasmania has adopted the most stringent harm minimisation approach in the nation. Undoubtedly the range of measures in Tasmania has helped to deliver a gambling environment with among the lowest levels of problem gambling in Australia.

Federal Group considers the Community Support Levy to have been an effective way of disbursing some of the profits from hotel and club gaming towards valuable organisations and activities. In particular, the funding of gambling treatment and prevention has provided support for people that may have problems with their gambling; and the grants to charitable organisations and sport and recreation groups has benefited the Tasmanian community. Federal Group would recommend two refinements to the Levy going forward. Firstly, to ensure that the source of the funds distributed through the Levy for the various activities is always made clear. Secondly, to ensure that it is not used to fund activities that are more appropriately funded by the Department of Health and Human Services (or other Government Departments) through the State Budget.

Federal Group has held exclusive licences to operate gaming in Tasmania since 1973 – by the end of the current licence period the company will have been the sole gaming operator for 50 years. Federal Group was Australia's first casino gaming licence holder and the practices and controls implemented by the company and Tasmanian Governments have helped to build the highly successful Australian casino industry. Federal Group notes that the Tasmanian Government's intention is to remove the exclusivity of the company's gaming licences after 2023. In line with the approach taken in other states and territories, the licences for Wrest Point, Country Club and Keno should therefore move to long-term durations that would reflect and underpin the previous, current and future investments made by the company in its casino and tourism infrastructure. This would provide certainty and confidence to the company, its employees and its financiers and appropriately reflect the removal of exclusivity.

Section 2

Federal Group, our people and the community



Federal Group celebrated 60 years in Tasmania during 2016. While the company goes back to 1885, it was in 1956 that Federal Group first entered Tasmania, purchasing the iconic Wrest Point Riviera Hotel.

Federal Group is today proudly owned and operated by the Farrell family, whose devotion and connection to Tasmania stretches back to the current Directors' parents, Greg Farrell senior and Dolores. The couple honeymooned at the Wrest Point Riviera Hotel in 1951 and the connection they felt for the property was immediate and enduring. Just five years later Federal Group purchased Wrest Point from local entrepreneur Arthur Drysdale.

On 10 February 1973, now as Chairman of Federal Group, Greg Farrell senior introduced the rest of the country (and the world) to the beauty of Tasmania with the gala opening of Australia's first legal casino at Wrest Point. By the late 1980's the Farrell family had accumulated over 50 per cent of the publicly listed stock of the Federal Group. A plan was then put forward to privatise the company and an important ideological agenda behind the decision was to divest the company of its non-core assets and focus on Tasmanian businesses.

Since then the company has consolidated its business assets, focusing its resources and attention squarely in Tasmania. Tasmania is more than a place in which the Farrell family do business. For some of the family, including a third generation of family members who now work for Federal Group, it is their home. For all of the Farrell family, it is a place of many great memories; of holidays, celebrations, successes, trials and challenges. The Farrell family is drawn to Tasmania's unique landscapes, rich history and colourful characters, and they are great champions of the state nationally and internationally.

Federal Group's Directors are Managing Director and CEO Greg Farrell; and his siblings John, Julia, Deborah and Jane. They have been at the helm of the business since 1989 and are incredibly proud of the people who have helped make Federal Group Tasmania's leading tourism, hospitality and entertainment operator over the years.



The Farrell family feels a great sense of responsibility to ensure they continue to provide Tasmanians with jobs and opportunities.

Federal Group is proudly Tasmania's largest private sector employer. The company has nearly 1,900 employees throughout Tasmania. A further 580 people are employed across the country through our national sensitive freight company, COPE Sensitive Freight. Tasmanian based employees of Federal Group are located in all regions of the state and represent different demographic groups. For example, about 400 Federal Group employees live in the Bass electorate, more than 100 in Braddon, more than 750 in Denison, more than 350 in Franklin and over 210 in Lyons.

Employees at Federal Group work in a range of different roles, contributing diverse skills and knowledge to the company. Some of these roles include baristas, chefs, housekeepers, plumbers, electricians, upholsterers, marketers, accountants, culture and leadership managers, procurement officers, legal experts, event planners, audio technicians and technology specialists.

Federal Group is proud to provide a range of professional development opportunities and staff benefits, and the company's team is loyal, committed and hard-working. A number of employees have over 40 years of service with the company, a rare achievement in the modern workplace and a sign of the loyalty shown by both the company and employees. More than 140 people have worked with Federal Group for over 20 years each and almost 100 have been with the company for between 15 and 20 years. Overall, more than 45 per cent of all employees have worked with Federal Group for more than five years.

Federal Group employees are also drawn from a range of different age groups, from young people starting their career through to mature workers.

Federal Group provides many hundreds of job opportunities to Tasmanians each year. This allows Tasmanians to either start or continue their careers in the state. As the major private sector employer in Tasmania, Federal Group has provided skills and experience to many Tasmanians who have then moved into their own businesses, especially in the tourism and hospitality industries.

During 2016 Federal Group employed 25 apprentice chefs across its casinos, hotels and pubs. Four chefs are currently taking part in an apprenticeship program at Wrest Point run by 2015 Tasmanian Chef of the Year Robin Kelly. Federal Group is committed to helping develop the skills of Tasmania's hospitality professionals and is working with high schools and training providers to encourage more young people into hospitality careers.

Federal Group recruitment teams participate in a range of high school careers forums and each of our businesses work closely with training providers and local schools to provide work experience opportunities, work-placements and formal training, such as apprenticeships. An example is the partnership between Wrest Point and Guildford Young College, which sees many of our apprentices recruited while completing VET courses.

Federal Group provides job opportunities for both males and females in a huge range of occupations. Of the employees based in Tasmania – around 53% are female. Many Federal Group employees are also active members of their communities, serving in key roles with a range of sporting clubs, charity groups, volunteer organisations and animal welfare groups.

Federal Group has a significant wage bill across its workforce. In 2015-16 Financial Year, Federal Group had employment expenses that totaled \$172.8 million. Of this amount, \$111.4 million in employment expenses related to staff based in Tasmania.

In 2015 an independent research company found that 85% of the company's employees would recommend Federal Group as an employer to their friends or family members. Indeed, more than 80% of all employees surveyed gave Federal Group the highest rating as employer. About 45% cited their work environment and work conditions as key reasons for rating Federal Group as a good employer. These high rates of engagement and advocacy clearly demonstrate that Federal Group is a good employer and provides a great work environment.

Three of the Federal Group businesses are also recognised as Employers of Choice. Country Club, Federal Group Tourism (Saffire and Henry Jones Art Hotel), and Vantage Group have each been recognised for demonstrating contemporary workplace practices and outstanding support for their staff, and providing opportunities for employees to build an effective work-life balance.

In addition to this, polling of the Tasmanian community conducted in December 2015 showed that 51% of Tasmanians also believe Federal Group is a good employer. The poll results demonstrated that one in every two Tasmanians knows someone who has previously or currently works for Federal Group.

In June 2016, Federal Group commissioned an independent organisation to conduct research into employment engagement. More than 1,400 staff completed a survey which measured the emotional attachment employees have to the company and the effort they're willing to put in as a result. The survey found that 92% of staff felt a sense of purpose in their work at Federal Group and more than 80% said they worked in a safe and supportive environment.

Key roles at Federal Group



Greg Farrell
Managing Director and CEO

As the Managing Director and CEO of Federal Group, Greg is responsible for ensuring the successful operations of the organisation and determining the strategic direction taken by the company.

Greg has been a director of the privately-owned family company Federal Group since 1983, and has held the role of Managing Director since 1989. Under his stewardship, the family company dramatically expanded its assets in Tasmania through acquisitions and new developments.

He holds a Bachelor of Economics Degree from Sydney University. He also completed a three year Executive Education Program at the Harvard Business School.

His personal interests include horses, art, history and spending quality time with his wife and two adult children.



John Farrell
Director of Business Development

John has been actively involved in the business since 1982, having worked in a variety of executive positions covering operations, sales and marketing. He has been a Director of the company since 1983.

In his current role as the Director of Business Development of Federal Group, John and the rest of the Board oversee the strategic and operational direction of this diverse group of businesses.

John holds a Bachelor of Commerce degree from the University of NSW and has completed an Executive Development program in Hotel Management from Cornell University.

His personal interests include history and aviation.



Julia Farrell
Director of Interior Design

Having graduated from Sydney University, Julia began her career as a Social Worker at the Royal North Shore Hospital and later worked at North Sydney Community Hospital and St Margaret's Maternity Hospital. Julia spent 10 years in the areas of acute medical care before deciding to concentrate more of her time on the family business.

Julia has a pivotal role within the family company, she is responsible for the Interior Design at all Federal Group properties, as well as taking an active interest in the Glover Awards and a keen personal interest in fine art.

Julia has been a Board Member of the Tasmanian Museum and Art Gallery for over 10 years.



Deborah Lee
Director

Deborah has been a director of Federal Group since 1994, and together with the other Board members, is actively involved and oversees the strategic and operational direction of this diverse group of businesses.

Deborah holds a Bachelor of Arts degree from Macquarie University and a Diploma of Teaching.

Her personal interests include the arts, all sports, particularly her family's involvement in the equestrian sport of eventing, and spending free time with her family.



Jane Farrell
Director

Jane spent over a decade working in the Audio Visual industry, and was involved in production / post production work and administration.

Jane has been a director of Federal Group since 1990, and together with the other board members, is involved in overseeing the strategic and operational direction of this diverse group of businesses.

Her personal interests include horse-breeding and dressage.



Daniel Hanna
Executive General Manager Corporate Affairs

Daniel Hanna has held the position of Executive General Manager - Corporate Affairs at Federal Group since January 2011, where he is responsible for: government relations, media, external and internal communications, regulatory affairs, stakeholder relations, corporate social responsibility, and corporate sponsorship.

Prior to taking up this role, Daniel spent eight years working in association management in Tasmania as the CEO of the Tourism Industry Council Tasmania and General Manager of the Australian Hotels Association. He returned to Tasmania in 2003 after holding senior positions in the Commonwealth Government in Canberra with the Department of Finance and the Department of Employment and Workplace Relations. Daniel holds a Bachelor of Arts with Honours from the Australian National University and a Doctor of Philosophy from the University of Tasmania. He received the Alumni Achievement Award from the University of Tasmania's School of Business and Economics in 2016.

Daniel's voluntary activities include membership of the boards of the Property Council of Australia – Tasmanian Branch, Football Federation Tasmania, the Global Advisory Board of the University of Tasmania's School of Business and Economics, and the Community Leadership Group of Project 47 – a project aimed at helping unemployed 15-21 year olds transition to employment or re-engage with education. Daniel also coaches junior soccer and junior futsal teams.



Nick Linnett

Executive General Manager Strategy and Business

Nick Linnett has held the position of Executive General Manager Strategy and Business Performance at Federal Group since 2011, where he is responsible for customer insights, strategic planning, major projects, information services, business performance and leadership.

Nick moved to Tasmania to join the Federal Group in 2009 as the Group General Manager of Human Resources. Prior to this he worked in various roles within publicly listed companies including Jupiters Limited, Tabcorp, ANZ Banking Corporation and Telstra. Having undertaken both full time and reserve military services as a Ground Defence Officer with the RAAF, Nick volunteered and was deployed as a United Nation's Military Observer (UNMO) to East Timor in 2001.

Nick holds an Executive Master's Degree in Business Administration from the University of Sydney and completed Executive Education Programs at both Harvard and Kellogg Business Schools. Nick was admitted in 2011 to Beta Gamma Sigma for Business Excellence.

Nick has sat on the Tasmanian Qualifications Authority Advisory Board as well as being a mentor with the University of Tasmania.



Colin Dewhurst

Executive General Manager Corporate Finance and Company Secretary

As Executive General Manager Corporate Finance and Company Secretary at Federal Group, Colin Dewhurst is responsible for areas including corporate finance, risk, internal audit, company secretariat, and legal services.

Colin joined Federal Group in 2003 as a Finance Manager within Corporate Finance after working with Garrisons Financial Planning and KPMG Hobart. After working in a number of finance related positions within the Federal Group he was appointed Company Secretary of Federal Group in 2014 and Executive General Manager Corporate Finance in 2016.

Colin was locally born and educated and holds a degree in Commerce from the University of Tasmania. Colin is a Member of the Chartered Accountants Australia and New Zealand (CA) and a Member of the Australian Institute of Company Directors (MAICD).

Colin's personal interests include triathlons.



Dominic Baker
Wrest Point General Manager

As the General Manager of Wrest Point, Dominic Baker is responsible for all facets of the operation including gaming, hotel, food and beverage and conference and banqueting. Dominic joined Federal Group in 2006 as the General Manager of Network Gaming. After three years in the role he transferred to the Vantage Hotel Group as General Manager, where he was responsible for the pub and retail liquor business.

Prior to working at Federal Group, Dominic was the General Manager of Marketing and Sales at Cascade Brewery. Dominic also worked with Nestle Dairy Products and in the travel and tourism sector with QANTAS Airways.

Until recently Dominic was the Chairman of AFL Tasmania, the governing body for Australian Rules football in Tasmania. He has been a director of the Tasmanian Hospitality Association since 2010 and the Australian Liquor Stores Association since 2014, and was recently appointed to the board of Business Events Tasmania.

He was locally educated at St Virgil's College and has completed a number of people leadership, marketing and sales, corporate accounting and management courses throughout his extensive corporate career. He is an active member of his local community, volunteering his time to MC a host of functions for charities and clubs and as a junior coach across several sports.



Jackie Hutchinson
Country Club General Manager

Jackie Hutchinson has held the position of Country Club General Manager since April 2015, where she is responsible for strategic and operation leadership.

Prior to taking up this role, Jackie has spent the past 20 years as a senior leader across a number of different businesses within the casino and entertainment industry. Most recently she was the Chief Operating Officer for Gateway Casinos and Entertainment in Western Canada, and has also worked for Aspinalls/Aspers Group, Conrad Jupiters, Jupiters in Townsville and ALH Group.

Jackie is a member of the Tamar Valley Tourism Association, Women In Tourism Tasmania, the Launceston Chamber of Commerce and Skal Launceston.

Jackie volunteers her time to support the Beacon Foundation and provides support for Country Club's own Community Support Fund, which in 2016 dispersed benefits to the RSPCA, Ronald McDonald House, St Giles and Salvation Army.



Matt Casey
Tourism General Manager

Matt Casey is the General Manager of Federal Group Tourism's portfolio of properties and businesses. The Portfolio operates Saffire - Freycinet, The Henry Jones Art Hotel, Peacock and Jones and Landscape restaurants, the soon-to-opened MACq 01 Hotel, and is currently developing the Port Arthur luxury lodge, with construction of that property due to start in mid-2018.

Previously, Matt and his team successfully launched The Henry Jones Art Hotel in 2004 with Matt in the position of General Manager from 2004 through to 2009. As General Manager, Matt led a small team to direct the operational set up of Saffire from 2009 and continued in the position of General Manager from its opening in 2010 until late 2012.

Matt holds the position of Secretary on the Board of 'Luxury Lodges of Australia' and chairs the Federal Group 'Care for Our Community' helping hand and support group.



Martin Kelly
Vantage Group General Manager

Martin was appointed to the position of Vantage Group General Manager in July 2016. He is responsible for setting the strategic direction of Vantage Hotels and the 9/11 Bottleshop Group, and overseeing all aspects of the operational performance of the Group.

Prior to Martin's appointment to his current role in July 2016, he spent 8 years at Lion

Martin is Vice President of the Tigers Football Club which competes in the Tasmanian State League, and is also a member of the Tasmanian Hospitality Association Board.



Mike Davey
Network Gaming General Manager

Mike Davey has been in the role of General Manager at Network Gaming since July 2014. As the General Manager, Mike is responsible for setting and delivering the strategic direction of Network Gaming, liaising with key stakeholders and customers, plus leading the team to deliver optimal operational and financial outcomes.

Mike joined Federal Group in 2003 as the Finance Manager for Wrest Point and was appointed as General Manager of Wrest Point in 2006, a position held until moving to Network Gaming.

Prior to Federal Group, Mike held the role of Financial Controller for Coca-Cola Amatil and has worked with National Dairies in their milk divisions, and with Clorox, an American manufacturer of consumer brands including Glad and Chux.

Mike holds a Bachelor of Commerce from the University of Tasmania. He is also a certified practicing accountant and a graduate of the Australian Institute of Company Directors.

Mike is a director of Motorsports Tasmania and is a committee member of the Carbine Club.



Peter Drewes
COPE Sensitive Freight General Manager

Peter Drewes currently holds the position of COPE Sensitive Freight General Manager, a leading advanced logistics service provider for high value equipment. Peter is accountable for the performance of the business and developing solutions capability and culture.

Prior to taking up this role, Peter has held senior positions within COPE since 2001. Based in Sydney, Peter's career has included roles in Operations, Business Development and Account Management.

Sponsorship and Community Support

Federal Group is a major supporter of Tasmanian charities, the arts, and sport and community sector. During the 2015-16 Financial Year, Federal Group invested nearly \$2 million in cash and in-kind support. This support ranges from major investments through to smaller and more localised support. The company has a philosophy of providing significant support within the community in which it operates.

This support (above) does not include the significant support provided privately to many Tasmanian organisations and individuals by the Farrell family and the Farrell Family Foundation.



Federal Group's support included the following organisations:

- Principal and naming rights sponsor of the Glover Art Prize
- Principal and naming rights sponsor of Variety the Children's Charity - Tasmania
- Major supporter of the Festival of Voices
- Major supporter of the Beacon Foundation
- Major supporter of the 24 carrot school gardens project (Springfield Gardens Primary School)
- Principal supporter of Crimestoppers Tasmania
- Platinum sponsor of Variety Club Tasmania
- Naming rights sponsor of the Wrest Point Art Award
- Significant sponsor of the Junction Regional Arts Festival
- Major supporter of the No Interest Loans Scheme (NILS)
- Major supporter of the Tasmanian Leaders Program
- Major supporter of Kickstart Arts
- Major supporter of the Ten Days on the Island Festival
- Supporter and sponsor of the Unconformity Festival
- Major sponsor of the Tasmanian Theatre Awards

Federal Group provides support to numerous groups around Tasmania. Most of these are small, local organisations that represent an important part of their local community. Support ranges from a few hundred dollars to over a hundred thousand dollars a year. It has been a long held philosophy of the Federal Group that the company must be an active contributor to the community in which it operates. However, the company has never sought public recognition or accolades for doing so, because of the strong belief that "actions speak louder than words".

In addition to the above, Federal Group properties also provide support for local groups by providing subsidised or free venues for meetings and events. Many Federal Group employees are also active in statewide and local organisations that provide benefits to the local community. The company actively supports staff who choose to get involved with local and community organisations.

Federal Group also introduced a new initiative this year (known as the "Helping Hand" initiative) that invites staff across the company to nominate a club, community group, volunteer organisation or individual in need to receive \$1,000. Staff members are asked to share information about their involvement with the organisation they are nominating and details of how the \$1,000 would help the recipient deliver outcomes in their local community. People across all Federal Group businesses have embraced the initiative and \$1,000 is given away each fortnight. So far the initiative has helped organisations like the Meander Valley SES to purchase new uniforms for volunteers, allowed the South Launceston Junior Football Club to purchase new equipment and allowed the Claremont Rotary Club to take a group of senior citizens in nursing homes on a lunch outing.

For example, Federal Group was proud to provide a \$1000 Helping Hand to 12-year-old Hobart school boy Campbell Remess. At the age of nine, Campbell committed to making one teddy bear each day to give away to children in hospital at Christmas. Since then, his bears have also been sent to comfort parents with sick children and people affected by terrorist activity overseas.



Campbell also makes teddy bears that are auctioned off to raise funds for a range of charity groups. His efforts have earned him international fans and media attention, and his Facebook group, 'Project 365 by Campbell' has amassed more than 34,000 followers.

Campbell was nominated for a Federal Group Helping Hand by Kingston 9/11 Manager Tai Forrester, who first learned of Project 365 when Campbell donated a bear for a Whitelion fundraiser, which sold for \$180.

"Campbell is a very generous young man," Tai said.

"He'll use the \$1000 Helping Hand to purchase a laser cutter which will make it quicker and easier for him to cut the fabric pieces he uses to make his teddy bears."

Federal Group and Tasmanian Tourism

Federal Group is the leading player in Tasmania's tourism industry. The company has significant tourism assets and generates extensive public relations exposure for the state, at both a national and international level.

Federal Group has developed and acquired tourism assets to provide products that deliver exceptional visitor experiences. The company's scale has meant that it has been able to invest heavily in marketing and promoting Tasmania's iconic destinations. The exposure generated by the company's marketing activity over the years has encouraged visitors to explore these destinations and provided significant benefits to many micro and small businesses that lacked the capacity to directly market or promote their businesses interstate or overseas.

Federal Group is the major operator in the high end tourism market and focuses heavily on marketing and promotion activities towards high yield visitors that can provide significant spending while they are in Tasmania, and therefore provide large direct and indirect benefits to the state's economy.

The company's efforts are strongly aligned with key target markets identified by Tourism Tasmania. In addition, Federal Group has always supported tourism delegations into key markets. Federal Group Director, John Farrell, has travelled with these delegations to personally demonstrate the commitment of the company to Tasmania's tourism industry. This included the recent delegations to India, Sri Lanka, Singapore, and China.

In recent years the company has shifted its focus from a diversified tourism position to one that focuses heavily



upon luxury properties. In this regard, Federal Group already has two outstanding luxury tourism properties – the Henry Jones Art Hotel and Saffire Freycinet – with another due for completion in June 2017 (MACq 01 on the Hobart waterfront) and a fourth due to commence construction in 2018 – subject to planning approvals (Port Arthur resort). Tasmania is increasingly going to be seen as a luxury destination in the future and the growth we have experienced in Saffire has convinced Federal Group that this is the sector of the tourism market to focus on.

In recent years, members of the Farrell family have also made investments in a number of tourism start-up businesses within Tasmania. These have been quietly made with the aim of providing passionate Tasmanians with access to the financial support and advice they needed to bring their ideas to reality. The investments have been highly successful and allowed some outstanding new tourism ventures in Tasmania's regions to establish and provide high quality experiences for visitors and further add to the Tasmanian brand.

Public relations exposure is a key component of the Federal Group marketing strategy. For the launch of the luxury resort, Saffire, it was the primary strategy. Federal Group products and services generate positive media coverage through interstate and international media – this is primarily achieved through travel media, but also includes lifestyle, design, outdoor, and food and wine media.

Federal Group partnered with local oyster growers, Freycinet Marine Farm, to develop a signature experience for Saffire guests – who are invited to don waders and experience freshly shucked oysters; eaten at a table in the water and served with Tasmanian sparkling wine. This unique experience has featured in national and international marketing campaigns run by Tourism Tasmania and Tourism Australia, generating valuable exposure for the state in key markets.

Other Federal Group Commitments

Federal Group actively supports the use of Tasmanian produce and is committed to purchasing from local suppliers. Evidence of this commitment is shown in the actual purchasing expenditure of Federal Group over the last 12 months. Over 70% of expenditure across the group on goods and services was made with local suppliers. This is even more impressive when it is considered that some goods used by Federal Group are simply not available in Tasmania, for example gaming machines.

The Federal Group has a purchasing policy that actively supports local suppliers. The written internal policy is as follows:

All Federal Group Divisions will source from local Tasmanian suppliers where quality and service are of expected acceptable standards and pricing is within a 5% margin of any mainland or International supplier. This policy has been adopted with the goal to promote and support Tasmanian based products and businesses.

This policy demonstrates a commitment rarely found in any company. It means that the company bears well in excess of \$2 million in extra costs each year, in order to support local businesses and suppliers of goods and services.



Federal Group is also a major taxpayer in Tasmania, paying \$122.4 million per annum in taxes to Federal, State and local governments. Following is a list of some of the taxes and charges paid in the 2015-16 financial year:

- Federal Government: \$32.8 million, including net GST paid, Fringe Benefits Tax and Company Tax
- State Government: \$87.4 million^(*), including Gambling Tax, Licence fees, Payroll Tax, and a range of other duties and charges
- Local Government: \$2.1 million, including General Rates and water charges

^(*)including GST on gaming (\$21.4M) which is remitted to the Federal Government.

Federal Group has a philosophy of joining relevant associations and organisations that contribute and provide a voice on behalf of the sectors or locations in which the company operates. These associations range from national sectoral associations, through to state based business and sectoral associations, and local groups. Federal Group contributes to business and industry associations so that the sectors in which they operate have a strong voice in the Tasmanian community and a high commitment to industry standards and quality. Examples of some of the memberships that Federal Group holds are:

- Tasmanian Hospitality Association
- Tourism Industry Council Tasmania
- Tasmanian Chamber of Commerce and Industry
- Hobart Chamber of Commerce
- Launceston Chamber of Commerce
- Australia-China Business Council
- Property Council of Australia (Tasmanian Division)
- Business Events Tasmania
- Local Tourism Associations
- Regional Tourism Associations

In summary, Federal Group is a diverse service based business that is family owned and made the unusual transition from a public company with a national focus to a private, family owned company with a major focus in the state of Tasmania. The company has a focus on operating high quality service businesses and employs a significant workforce within Tasmania of nearly 1,900 people. Federal Group puts back to the Tasmanian community in many different ways; including as a significant taxpayer, a major supporter of local charities and events, and actively promoting and supporting the use of Tasmanian goods and services in its businesses.

Section 3

Background, History, and Tasmanian Context



The Federal Group is a family owned company with a long and significant history in Tasmania as an investor and operator in tourism, hospitality, retail, sensitive freight, casinos and gaming. As the state's largest private sector employer, Federal Group employs nearly 1,900 Tasmanians. In addition, nearly 600 people are employed nation-wide through our sensitive freight company, COPE.

During the last two decades Federal Group has made significant investments in Tasmania. The company is the largest private investor in Tasmanian tourism and the largest private promoter of Tasmania interstate and overseas. The company has received a large number of awards at state, national and global levels for its tourism and hospitality operations, reflecting the commitment to deliver quality products and services.

Federal Group is highly committed to Tasmania and seeks every opportunity to support local businesses. The company is a major supporter of charities, the arts, education and sports in the state. It holds a strong philosophy of working closely with other businesses in the industry sectors in which it operates, demonstrated by the vast number and diversity of memberships that the company holds. Federal Group is also a significant taxpayer across a range of federal, state, and local taxes and charges.



History

The history of the company can be traced to Victoria – where a group of businessmen decided in June 1885 to form The Federal Coffee Palace Company. The grand opening of the Coffee Palace coincided with the commencement of Melbourne’s Centennial Exhibition of 1888. The establishment went on to become the cornerstone of what is now the Federal Group – Australia’s oldest continuously operating hotel group and the second oldest in the world. In 1956, the company purchased the iconic art deco Wrest Point Riviera Hotel in Hobart, Tasmania.

During the late 1960s, Federal Group initiated discussions with the Tasmanian Government about the prospect of granting a casino license to the Wrest Point Riviera Hotel. An important aim was to help to address the cyclical nature of Tasmanian tourism, through the establishment of a major (and in those days highly unique) tourism drawcard that would attract visitors to the state on a year round basis. This resulted in the Parliament passing the Wrest Point Casino Licence and Development (Referendum) Act in November 1968. In the subsequent referendum held on 22 November 1968, a majority of Tasmanians voted for the establishment of a casino in Hobart. The Wrest Point Casino License and Development Act of 1968 soon passed. Wrest Point remains to this day the only casino licence to have been issued as a result of a public referendum.

Following the construction phase, the Wrest Point Hotel and Casino had its Gala Opening televised around Australia on 10 February 1973. The establishment of the Wrest Point Casino had a massive impact on Tasmanian tourism, paving the way for new investment, more flights, restaurants, accommodation and an enhanced range of tourism experiences. The image of Wrest Point Casino became synonymous with Tasmania, reaching iconic levels of recognition within Australia.

In 1979, the Federal Group, together with a consortium consisting of The Examiner Northern Tasmania TV (ENT) Ltd and later Jennings Industries Ltd were successful in securing a second casino licence for northern Tasmania. In 1982, the Federal Group opened the Launceston Country Club Casino, and the opening had a similar impact on Launceston as Wrest Point had on Hobart nearly a decade earlier.

1984 saw the opening of Australia’s first multi- purpose Conference and Entertainment Centre at Wrest Point – built at a cost of over \$20 million. The Federal Group also acquired full ownership of the Country Club Casino by buying out the rights of ENT Ltd.

By 1989, the Farrell family had over 50 per cent of the publicly listed stock in the holding company of the Federal Hotel Group. In 1990 the company was privatised. An important principle behind the privatisation plan was to divest the Federal Hotel Group of its non-core assets and focus on the Tasmanian businesses.

From 2000, the company began assessing parts of the state which it believed had the potential for tourism growth. This led to the acquisition and development of a number of properties and the establishment of the Pure Tasmania brand. The company also began to identify opportunities in the hotel and retail liquor sectors, leading to a number of acquisitions under the Vantage Hotel Group and 9/11 retail liquor brands.

Pure Tasmania was Federal Group’s tourism brand, pulling together unique accommodation and experiences in iconic Tasmanian destinations. The Pure Tasmania brand was promoted in key Tasmanian visitor markets interstate and overseas. The seed of Pure Tasmania was formed back in 2002, when Federal Group purchased the Strahan Village on Tasmania’s West Coast along with its Gordon River Cruise experience.

The dream was to see Tasmania develop as an iconic tourism destination, known around the globe for its wilderness, its cultural heritage and its world-class food and wine. In 2003, the land for Saffire was purchased in the state’s East Coast, with a view to creating a development never seen before in Tasmania, one that would stimulate new markets and new interest in Australia’s island state.

This purchase was quickly followed by taking over the operation of the West Coast Wilderness Railway, a 100-year-old railway through the wilderness; Freycinet Lodge on the East Coast, to complement the new development; and Cradle Mountain Chateau and The Wilderness Gallery in the state's heart.

With the best in accommodation and experiences in Tasmania's iconic tourism destinations, the company then sought an appropriate brand to represent such authentic Tasmanian developments, and Pure Tasmania was born. After months of consultation and discussion, the company realised that there was nothing else that came close to capturing the essence of the tourism product offering – Pure Tasmania said it all.

In 2007, the company purchased the internationally acclaimed Henry Jones Art Hotel, signalling the next phase of Pure Tasmania – high-end accommodation capturing new markets for the destination.

Pure Tasmania included five separate and unique destination resorts and experiences: Strahan Village, Freycinet Lodge, Cradle Mountain Chateau, Saffire Freycinet, and the Henry Jones Art Hotel. Each resort included a range of accommodation, dining and unique ways to experience the local area.

Pure Tasmania was twice awarded as the Best Tourism Marketing Campaign in Australia at the National Tourism Awards (2005, 2009) and won the Tasmanian award in this category four times (2005, 2007, 2008, 2010).

By 2013, and with the successful growth of the Tasmanian brand as well as Saffire and the Henry Jones Art Hotel, the company took the decision to change its strategy and focus on luxury and premium accommodation. Federal Group therefore searched for a company that shared its commitment to Tasmania and would keep the assets together. Federal Group found such an organisation and finalised the sale of the regional tourism businesses to the RACT (Strahan Village and Gordon River Cruises, Freycinet Lodge, Cradle Mountain Chateau) in 2014; the company then ceased using the Pure Tasmania brand. The sale has enabled the company to redirect resources to developing more exciting new tourism facilities that are described in Section Three.

Federal Group now has an extensive scope and is a very significant investor and operator in the tourism, hospitality, retail, casino, and gaming sectors. Federal Group is an integrated company where casinos and gaming operations have underpinned a range of investments in hospitality and tourism throughout Tasmania. Following is a summary of the scope of current Federal Group investments and operations in these sectors.

Wrest Point

Federal Group developed and has continually operated Australia's first legal casino, Wrest Point, located adjacent to the River Derwent at Sandy Bay.

Since opening in 1973, the Wrest Point casino has had two major redevelopments: Australia's first multi-purpose Conference and Entertainment Centre in 1984, and a boardwalk precinct in 1996. Federal Group is the longest running holder of a casino licence in Australia.

The Wrest Point hotel has over 250 rooms in three different standards:

- Wrest Point Tower – rooms at 4.5 and 5 star standard
- Wrest Point Water Edge – rooms at 4 star standard
- Wrest Point Motor Inn – rooms at 3.5 star standard

Guest Services include a health club, pool, and valet parking.

Wrest Point also has a range of food and beverage options:

- The Point Revolving Restaurant – premium dining
- Pier One – modern Australian
- Coffee Shop – buffet
- The Loft – casual bistro
- Riverview Snacks – indoor/outdoor café
- Casual, lounge and entertainment bars (such as the iconic Birdcage Bar, Onyx, and casino bars)

Wrest Point has the facilities to cater functions, events and conferences for everything ranging from small meetings to large events for up to 1,650 guests. Wrest Point will next year host the largest conference ever held in Tasmania, welcoming around 1,500 delegates at the Lions Australia Centenary Convention.

A range of gaming options is available, including: Blackjack, Pontoon, Roulette, Rapid Roulette, Poker, Money Wheel, Baccarat, Keno and Gaming Machines.

Country Club Resort and Villas

Federal Group developed and has continually operated the Country Club casino, located in parkland on the rural fringe of Launceston. The Country Club casino and resort was opened in 1982, and the adjacent Country Club Villas was acquired by the Federal Group some years later.

The Country Club Resort and Villas has a choice of over 200 rooms in two standards:

- Country Club Resort – rooms and suites at 4.5 and 5 star standard
- Country Club Villas – 1, 2 and 3 bedroom self-contained villas at 4 star standard

Guest Services include: health centre and pool, 18 hole championship golf course and driving range, tennis courts, squash court, trout fishing, horse riding and valet parking.

Country Club also has a range of dining options:

- Terrace Restaurant – premium dining
- Links Restaurant – all day café and buffet
- Watergarden Dining – casual dining
- Bolters Grill and Pizzeria
- Casual, lounge and entertainment bars – including Tonic Bar, Watergarden Café and Bar, and Casino Sports Bar

Country Club has the facilities to cater for everything ranging from small meetings to events for up to 475 guests.

A range of gaming options is available, including: Blackjack, Pontoon, Roulette, Rapid Roulette, Poker, Money Wheel, Baccarat, Keno and Gaming Machines.

Vantage Group

The Vantage Hotel Group (Vantage Group) was established in 1999 to operate freehold hotels purchased by the Federal Group. It operates across Tasmania through community-based hotels and the 9/11 Bottleshop retail liquor chain. Each acquisition saw the company pay a market price for existing hotels. Each acquisition has been, and remains, at arm's length from Network Gaming. Federal Group have never purchased a hotel without existing gaming machines and then subsequently added them.

Vantage Group operates 12 hotels that provide a combination of bar, gaming, bistro, accommodation and entertainment services. The hotels are all distinctively branded to service the requirements of the local communities in which they are situated.

The 12 hotels are:

- Brooker Inn, Lutana – purchased in 2006
- Claremont Hotel, Claremont – purchased in 2000
- Derwent Tavern, Bridgewater – purchased in 2005
- Elwick Hotel, Glenorchy – purchased in 2006
- Furner's Hotel, Ulverstone – purchased in 2010
- Hotel Federal, Wynyard – purchased in 1999
- Hotel Tasmania, Launceston – purchased in 1999
- Hotel Valern, Moonah – purchased in 2006
- Mackey's Royal Hotel, Latrobe – purchased in 2010
- Molly Malone's, Devonport – purchased in 2002
- Newstead Hotel, Newstead – purchased in 2015
- Waterfront Hotel, Bellerive – purchased in 1999

In 2006, Federal Group purchased the 9/11 Bottleshop retail liquor business and has since developed a number of new outlets. 9/11 currently operates 19 retail liquor stores across the state.

Each store has a unique look and feel but shares a common focus on creating a professional store environment with friendly and helpful staff. Each store stocks well-known brands across all categories with a strong focus on local products, and an extensive range of Tasmanian wines, ciders, spirits and beers.

The 19 stores are as follows:

- Brooker Inn – Lutana
- Claremont Hotel – Claremont
- Derwent Tavern – Bridgewater
- Devonport – Devonport
- Elwick Hotel – Glenorchy
- Furner's Hotel – Ulverstone
- Gasworks and Gasworks Cellar Door – Hobart
- Hotel Federal – Wynyard

- Hotel Valern – Moonah
- Kingston Plaza – Kingston
- Launceston City – Launceston
- Launceston Plaza – Launceston
- Mackey’s Royal Hotel – Latrobe
- Newstead Hotel – Newstead
- New Town Plaza – New Town
- Shoreline Plaza – Howrah
- Sorell Plaza – Sorell
- St Ives – Sandy Bay
- Waterfront Hotel – Bellerive

Sales of Tasmanian wine through Federal Group have grown significantly in recent years with more than 143,000 bottles sold through the company’s bottle shops and pubs alone last year. Vantage Group’s flagship retail outlet, the Gasworks, stocks more than 400 Tasmanian wines and smaller outlets stock a minimum of 70 Tasmanian wines.

The strong focus on Tasmanian wines is demonstrated at the Gasworks Cellar Door. The exclusively Tasmanian wine experience is a great way to introduce guests to the cool-climate wines of the state. The highly knowledgeable wine experts discuss in detail the grapes grown in Tasmania, and the places in which they are grown.

Vantage Group has also launched a new development in retailing Tasmanian wine online – www.gasworkscellardoor.com.au. The website acts as both a medium to promote the Gasworks Cellar Door Experience and for people to be able to access a huge range of Tasmanian wine online. There are over 300 wines listed from local vineyards.

Tourism Division

Saffire

Saffire, Federal Group’s luxury tourism resort on Tasmania’s East Coast, is located near the Freycinet National Park, overlooking the iconic mountains – The Hazards.

Distinct in its design, exclusive in its features and set apart by its approach to individually tailored experiences and service, Saffire sets a bold new direction for luxury accommodation in Australia. Designed by award-winning Tasmanian architects Morris Nunn and Associates (now Circa), the buildings are conceptually organic, reflecting the surrounding environment.

Saffire has 20 accommodation suites, each with commanding views of Great Oyster Bay and the Hazards Mountains. Each of the luxuriously appointed suites has been designed to maintain utmost privacy, while taking in the views and natural light. Inside, guests are greeted with the highest quality finishes with an eclectic mix of classic and contemporary furnishings. Quality Tasmanian products and designers have been used to create a unique sanctuary that is soothing and healing, bringing an overall feeling of wellness and calm.

The original Saffire site was a caravan park and backpacker’s accommodation. It had suffered significant degradation and erosion. So a great deal of time was spent re-vegetating the area with native plants to

encourage a return to its natural form. Also, the water supply to the township was limited. Federal Group worked with the Glamorgan-Spring Bay Council to share the costs of building new dams and a water supply system. While many East Coast towns have inconsistent water supplies, Coles Bay was essentially drought proofed by Federal Group's \$1.8 million investment. TasWater advised in January 2016 that Coles Bay had enough water for another two summers, regardless of future rainfall. Comparatively, Swansea was placed on Stage 2 water restrictions at the same time.

Saffire also plays an important role in showcasing Tasmania's freshest produce and finest wines and beers. Multi-course degustation menus matched with the outstanding local wines are a specialty, with menus designed around what is fresh out of the water or the paddock on any given day.

Saffire has been awarded dozens of state, national and global awards. The property was named in 2014 as the best in the world at the prestigious World's Best Boutique Hotel awards in London. Saffire has also received awards nominated by guests such as the best luxury hotel in Australia and the South Pacific by Trip Advisor.

Saffire, and signature experiences offered exclusively to guests, have also featured in international marketing campaigns by Tourism Australia; which has generated widespread promotion for Tasmania. Saffire has developed close working relationships with a number of tourism and agricultural businesses on the East Coast, serving as a significant driver for businesses in the region, including the Freycinet Marine Farm.

Saffire is also a major partner of the Save the Devil breeding program. Federal Group built an enclosure to house Tasmanian Devils that had retired from the program. The Devils live out their 'twilight years' in a haven, helping to educate guests about the Tasmanian devil's plight and encourage further support for the program.

Henry Jones Art Hotel

The Henry Jones Art Hotel is located on Hobart's waterfront and is Australia's first dedicated art hotel. The former jam factory site in which it is located dates back to 1804.

The hotel has been created as a fusion of art, heritage, tradition and nature. The hotel has 56 rooms and suites; all furnished with the hotel's history and contemporary art as the forefront of each space. The hotel has over 300 artworks with a continuously changing exhibition.

The Henry Jones Art Hotel opened in 2004 and was purchased by Federal Group in 2007. The hotel has won a number of awards for design, accommodation, food/beverage and service since opening its doors.

The Henry Jones Art Hotel has a range of food and beverage outlets that champion Tasmanian wines, beers and spirits; as well as its fresh produce. These include:

- Landscape – the recently opened signature restaurant for the Henry Jones Art Hotel. Here guests can enjoy an exceptional menu, offering outstanding local beef cooked on the feature Asado Grill. Brand Tasmania ambassador Oli Meller has returned to Tasmania, after working with the likes of Gordon Ramsey and Heston Blumenthal, to lead the team at Landscape. The restaurant features artworks devoted to landscape – including works by John Glover from the 19th century and modern interpretations through recent winners of the Glover Prize. The restaurant features local wines and background music from the Tasmanian Symphony Orchestra.
- Peacock and Jones – tucked away in an old sandstone warehouse, Peacock and Jones is a hidden gem that celebrates the beauty of Tasmanian food. Featuring an open kitchen, Peacock and Jones' menu is constantly changing, because the dishes are driven by what Tasmania grows.

- Jam Packed Café – located in the IXL Atrium overlooking Hobart’s waterfront. Features a café style menu packed full of Tasmania’s specialties highlighting the islands regional produce.
- The IXL Long Bar is commonly regarded as Hobart's "meeting place". It is the cocktail and music connoisseur's destination.

The Henry Jones, Australia's first Art Hotel, is a major supporter of Tasmania’s arts sector and features original contemporary artworks by emerging and established Tasmanian artists. Artists represented are graduates from the Tasmanian College of the Arts, independent artists, and artists represented by some of Hobart's leading commercial galleries. Most of the artworks are for sale and are exhibited in the Hotel's public areas, the Art Installation Suite, IXL Long Bar, and Jam Packed, and in all accommodation rooms and suites.

COPE Sensitive Freight

COPE Sensitive Freight is Australia’s largest independent specialist freight carrier. It has depots located in all capital cities and major centres around the country. COPE employs around 600 people across Australia and has a fleet of more than 340 specialised vehicles.

COPE transports high value goods requiring specialist care including life-saving medical equipment, vital communication technologies and complex printing systems. In Tasmania, COPE has transported and installed MRI machines at Calvary Hospital and art installations at MONA.

COPE is the fourth transport company owned and operated by the Farrell family over the generations. The first, called D.S. Farrell, was set up in 1900 by Denis Farrell; the great-grandfather of the current Managing Director and CEO, Greg Farrell.

Network Gaming

Established in 1996, Network Gaming was set up to manage the distribution of gaming machines and Keno in hotels and clubs throughout Tasmania, operating under the OASIS Gaming and TASkeno banners.

With a head office in Sandy Bay the business unit employs more than 30 people and has training centres situated in both the north and south of the state. Professional and highly experienced trainers deliver nationally accredited gaming licence training to venue staff and employment agencies across the state. Network Gaming offers support to its business partners through marketing and promotional campaigns, business support and advice.

Network Gaming also operates a dedicated helpline to provide support and assistance to venue operators. The helpline is responsible for the day-to-day operation of gaming machines and TASkeno.



Federal Group Corporate

Federal Group's six businesses are supported by the company's corporate units, which provide a range of financial, technological, communications and creative production services. More than 100 people are employed across the corporate teams in Tasmania, with staff located in both the north and south of the state. The majority of these people work for Corporate Finance, the Technology Services Group and Group Production Services.

As an example, Group Production Services (GPS) provides creative design and production services for the company. This has included producing a 96 metre billboard at the Hobart Airport, signage for 9/11 Bottleshops, business logos and websites for Federal Group, the Gasworks Cellar Door and TixTas. GPS contributes more than \$800,000 each year to Tasmania's printing industry and is one of Australia Post's larger Tasmanian clients.

In summary, Federal Group has had a long history as a hotel and casino operator, with a strong profile in Tasmania for 60 years. The company has evolved over that period to now be a major investor and operator in the Tasmanian tourism and hospitality industry – with high-quality businesses in the tourism, casino, hospitality, retail, gaming and sensitive freight sectors.



Section 4

Federal Group's current and future investments

Federal Group has recently made, and is continuing to make, significant investments in new facilities and improving the quality of its existing facilities. These investments have a significant value and create jobs for Tasmanians in both the development and operational stages. Federal Group's previous investments have been catalysts for the locations and industries in which they have been made. For example, Wrest Point and Country Club both stimulated access, the local tourism and hospitality industries and were a source of regional and state pride for locals. Saffire Freycinet has stimulated the luxury tourism market in Tasmania and opened up the state to a new set of customers from Australia and around the world with a high net worth. The company also has significant plans for further investment in Tasmania over the coming years that will further expand and solidify the growing reputation of Tasmania as a great place to live and visit.

The recent, current and proposed investments in Tasmania by Federal Group are significant and are valued at nearly \$90 million (excluding the proposed major redevelopments at Wrest Point and Country Club). Importantly, these investments are creating around 300 new jobs for Tasmanians, throughout the state. Below are some examples of the investments that are being made by Federal Group in Tasmania.

Port Arthur Resort

Federal Group has announced it will develop a new luxury resort at Port Arthur. The resort will be a sister property to Saffire Freycinet, bringing the same level of quality and price point. The Port Arthur resort will be adjacent to the world heritage listed Port Arthur Historic Site and will be located on the current site of the Port Arthur Motor Inn. Federal Group owns the current Motor Inn and will take the property over from the current lessor on 1 July 2018. It is hoped that construction can begin soon after this date and the resort will be open around the end of 2019.

Like Saffire, the Port Arthur resort will not be any normal hotel or resort. The scale will be intimate, with just 20 luxury suites. The price point will reflect this intimacy and be similar to the price point at Saffire. The aim is to have another luxury resort available, in addition to Saffire. However, the Port Arthur Resort will also differ from Saffire, because the company wants people not to decide which resort to stay in – they will be encouraged to experience both. This is a similar model to New Zealand where the “super lodges” have redefined travel to that country and attract guests who will often stay in more than one of these lodges on their visit to the country.

The key differences between Saffire and the Port Arthur Resort are also reflective of the two locations. Saffire has unparalleled views from rooms and public buildings of the Hazards and Great Oyster Bay. It also has architecturally striking buildings that are unique. The Port Arthur Resort will be different. The Port Arthur Resort will adjoin a World Heritage site and therefore cannot compete or “loom over” the site. The architectural challenge will be to make the views from each room stunning and take in the Arcadian landscape, while not having any greater visual impact from the Site than the current motor inn. As a result, the plan is to make the restaurant and common areas more contemplative. This will encourage guests to consider how the convict experience has developed the unique Australian character and reflect on their own journey, in addition to enjoying luxury treatment and the finest food and wine.

The Port Arthur Resort is being developed in conjunction with the local community and especially the Port Arthur Historic Site Management Authority (PAHSMA). Federal Group is committed to ensuring that the Resort adds to the experience at the Port Arthur Historic Site and has been delighted to find a good partner in PAHSMA – who want to achieve the same. The final designs and plans will be developed in conjunction with PAHSMA and their feedback will be critical to finalising the Resort and then gaining the necessary approvals. The Resort will also aim to have a significant positive impact on the economy and community of the Tasman Peninsula. The Port Arthur Resort will have a total development cost in excess of \$30 million and is likely to employ about 65 people when fully operational, and many more during construction.

MACq 01

Federal Group will be the operator (under a long term lease) of a new and exciting hotel concept on the Hobart waterfront in June 2017. This hotel will be named MACq 01 and will be a unique hotel concept devoted to telling the story of Tasmania and its characters. The 114 room premium standard hotel will have the largest rooms of any hotel in Hobart, with standard rooms at around 50sqm of space and suites up to 110sqm. The hotel will also include a high quality bar and restaurant to complement the high quality of the hotel experience.

The Vos family is developing the MACq 01 hotel complex. The Federal Group is investing heavily in the fitout; with a range of quality fixtures, furniture and equipment. The Federal Group component of the \$45 million development will be \$10.0 million.

What will be unique about the MACq 01 hotel is the focus on telling the story of Tasmania throughout the hotel. Each of the 114 rooms will be devoted to a Tasmanian character and collectively, the story will tell the story of the development of Tasmania. The company has extensively researched these and the rooms will tell their story through the theming and artefacts in each room. The rooms will be built around the five key themes that our research has highlighted reflect the Tasmanian character; they include:

- Grounded yet exceptional
- Colourful and quirky
- Curious and creative
- Fighting believers
- Hearty and resilient

From the moment that the guests arrive in the incredible location right on the Hobart waterfront, they will be immersed in the story of Tasmania. This focus on storytelling – we are the only hotel in the world that we are aware of that is recruiting a Master Storyteller – will add to the experience of the visitor and enrich the Tasmanian brand. The restaurant and bar will focus on the story of the development of the Tasmanian community and Tasmanian industry. The fitout will be sophisticated with a rich use of Tasmanian materials and a strong focus on using the best of Tasmanian produce and wines. Hugh Whitehouse, our first head chef at Saffire Freycinet, will develop the restaurant concept. The head chef at the MACq 01 restaurant will be Simon Pockran, our most recent head chef at Saffire Freycinet.

When opened, the hotel will employ around 135 people and incorporate a range of opportunities for Tasmanian hospitality professionals; as well as opportunities for professionals from interstate and overseas. Recruitment has already begun and some of the key staff are in place. There will be a significant schedule of training to ensure that the staff can deliver on the challenging promise of telling the Tasmanian story to guests.

Wrest Point

Federal Group has been making investments to upgrade and redevelop Wrest Point to meet the needs of customers and provide a more contemporary and high quality experience. This has included a range of investments being made including:

- Repainting the exterior of the Convention Centre and main entrance
- Upgrading the Tasman Room with new seating, repainting and other major improvements to provide a better function and conference experience
- Rewiring the gaming floors
- Improving fire safety
- Completely renovating and refurbishing the Wellington and Boardwalk toilets
- Updating tower room interiors

The above investments are being undertaken at a cost of approximately \$1.5 million. In addition to these investments, Wrest Point will be undertaking a complete renovation of all hotel rooms in its iconic tower over three years, commencing in winter 2017 at a cost of over \$10 million. This will provide for a high quality guest experience and make the rooms contemporary and able to better compete with the new rooms being constructed in the Hobart accommodation hotel sector.

Systems

Federal Group is also investing significantly in new systems to manage the casino gaming floors. Casinos have a strong requirement for comprehensive systems that enable the game and EGM information to be effectively monitored by the Tasmanian Liquor and Gaming Commission. These systems also automate previously manual systems that ensure that each EGM is correctly set up and operating in accordance with the regulatory approval. In addition, they will enhance the reporting of state gaming taxes to the Department of Treasury and Finance, and will also assist the Federal Group in meeting its responsible gaming commitments. The new casino gaming management system will be implemented at Wrest Point and Country Club during early 2017 at a total cost of over \$15 million over the ten year system life. The new casino gaming management system will result in a better customer experience, stronger regulatory controls, and more efficient operations to focus staff on customer interactions rather than manual processes.

Hotel Federal

During 2015 and 2016, Federal Group invested in a major transformation of the Hotel Federal at Wynyard. The company purchased the Hotel Federal in 1999 and took the decision that the hotel would benefit from a significant overhaul and the addition of new outlets for the local community. The renovation constructed a new retail bottle shop outlet (there wasn't previously a retail outlet attached to the hotel) that would provide a high quality and convenient retail liquor outlet and make available a significant number of lines of Tasmanian wines, spirits and ciders. The public bar, lounge bar, and gaming room all received a significant renovation that ensured that these areas were transformed into high quality spaces. The 9/11 store was opened in late 2015 and the outlet has been renovated to provide a higher quality and more convenient service for customers, while also stocking a greater range of products – especially Tasmanian wines.

The most readily identifiable and significant addition (as well as the 9/11 retail liquor outlet) was the new burger bar food outlet on the street frontage of the hotel. This was a high quality renovation aimed at adding an approach, affordable and modern food concept for the people of Wynyard and surrounds. The concept is a modern city dining outlet focused on local produce, a range of different burgers and high quality sides. The restaurant has already proven to be a great success and been strongly supported by the local population.

The Hotel Federal redevelopment and construction of the new 9/11 store had a total development cost of \$1.7 million. Local contractors and materials were used in the development and the hotel now employs an additional 15 employees, bringing the total number of employees at the hotel and bottle shop to 22. The redeveloped hotel is now a facility that the local community can be proud of and has received excellent feedback.

Henry Jones Art Hotel room upgrade

Despite the Henry Jones Art Hotel being only just over ten years old, Federal Group has taken the decision to undertake a complete refurbishment of each of the rooms at the Henry Jones Art Hotel. During winter 2016 the refurbishment commenced, with half of the hotel's 56 rooms now completed. The balance of the hotel rooms will be refurbished during winter 2017. The work is being undertaken by local construction firms at a total expected cost of \$1.5 million. Once completed, the rooms at the Henry Jones Art Hotel will be well placed to compete in the increasingly competitive Hobart accommodation market. The refurbishment will also provide the company with complimentary high quality products with the opening of the MACq 01 hotel in June 2017.

In addition to the room refurbishment, Federal Group has recently purchased another tenancy in the IXL complex. This was previously a fashion retail store (CI Simon) and the company will be transforming the space into a multi-purpose function space at a total cost of \$0.8 million. The hotel room refurbishment, new function space, and two new high quality restaurants (Peacock and Jones, and Landscape) in the Henry Jones Art Hotel and IXL complex will place this as a sophisticated and high-quality food, wine and accommodation precinct – this will be further extended with the opening of MACq 01.

Peacock and Jones

In 2014, Federal Group purchased the end tenancy in the IXL complex (operating as a café known as the Timeless Way). During 2015, the company investigated the development of a new food and wine concept that would be built around local produce, fine wines and a modern environment. The company developed the space to construct a new open kitchen, and fit out both the interior and develop a sophisticated courtyard space that would work well as a night time venue for locals and visitors.

The restaurant was known as Peacock and Jones, as a nod to both Sir Henry Jones and the original owners of the jam factory the Peacock family, and opened in December 2015. The restaurant focuses on fresh produce and an interesting wine list (including many local wines), with a sophisticated yet informal atmosphere. The restaurant has been a great addition to the Hobart dining scene and added a further option for guests of the Henry Jones Art Hotel and locals alike. Federal Group's restaurants in this precinct are all focused on adding a level of sophistication to the Hunter Street environment as a counterpoint to the life and hustle and bustle of Salamanca Place.

The restaurant had a total development cost of \$2 million and used local contractors for the works. The materials are of high quality and designed to complement the early 19th century sandstone walls of the restaurant. A hanging open fire in the courtyard acts as a meeting point for those wanting to enjoy a glass of Tasmanian wine and small plate dining. The restaurant employs 14 people and includes opportunities for a restaurant manager and head chef to further develop their careers in Tasmania's hospitality industry. There has been a high level of training for all staff employed at Peacock and Jones to ensure they have developed a strong understanding and focus on the customer.

Landscape

During 2016, Federal Group completed a new dining concept within the Henry Jones Art Hotel. The area that was formerly the Studio Lounge and Shade's Row private dining area has been redeveloped into a new dining concept, the aim of which was to create a highly sophisticated and high quality dining venue for Hobart's waterfront. Federal Group strove to establish a high quality restaurant that would stand and quickly become the premier venue for locals, corporate groups and interstate and international visitors. The restaurant was to have a particular focus on delivering the best Tasmanian beef, grilled expertly on the Asado grill – using wine and sherry barrel offcuts to fire the grill and provide a unique flavour to the finest cuts. The restaurant was also an opportunity to engage with original artworks with a particular focus on the work of John Glover and new interpretations of Tasmanian landscapes by award winning artists.

The restaurant is called Landscape and opened in October 2016. One of the most readily identifiable features is the original early 19th century paintings by John Glover on the early 19th century sandstone walls of the restaurant. There is a private dining space that is adorned by six recent winning paintings of the prestigious Glover Prize; a prize that Federal Group has been a platinum sponsor of since inception and is now the largest

annual landscape art prize in Australia. The lighting has been designed to best showcase the professionally hung paintings and the background music is all recordings of the Tasmanian Symphony Orchestra. The restaurant features a wine room that showcases both the early sandstone walls and the quality Tasmanian and Australian wines available in the restaurant. Landscape is a high quality restaurant with impeccable service and a high quality ambience, to match the fine food and wine. Early reviews of the restaurant have been outstanding and it is expected to quickly forge a reputation as Hobart's premier sophisticated restaurant.

The total development cost of the restaurant was \$0.9 million. Local contractors and materials were used in the interior fit out. The restaurant employs 37 people and has a high profile head chef – Oli Mellers – who recently returned to the state after working in the kitchens of Gordon Ramsey and Heston Blumenthal in London. Again, there was a focus on providing the highest quality training for the staff and the restaurant provides the opportunity for hospitality professionals to further their careers within Tasmania.

New 9/11 Retail Outlets

Federal Group developed and opened two new 9/11 retail outlets during 2015 and 2016 (in addition to the Wynyard 9/11 store). These stores were differentiated from their competitors

9/11 Launceston Plaza opened in Racecourse Crescent in September 2015 with a total development cost of \$0.3 million. This was the second 9/11 retail outlet in Launceston and was located within the Launceston Plaza in a vacant tenancy, near Coles and Kmart. The outlet is held by Federal Group on a long lease. The shop was completely revamped to as high standard and stocks a full range of items, with a focus on Tasmanian wines. The outlet employs a team of eight people (including seven new staff) and is a convenient, high quality, and successful 9/11 retail liquor store.

9/11 opened its first Devonport store in a new complex in Oldaker Street in November 2016. The store is co-located with another iconic and high quality Tasmanian brand that is new to Devonport, Hill Street. The shopping complex is brand new and represents a high quality addition to the Devonport retail environment. The outlet employs a team of seven people and is a convenient and high quality store. The partnership with Hill Street provides the community with an option to support local businesses, farmers and jobs.

Federal Group is always looking for more opportunities to expand its presence throughout the state with the well-regarded 9/11 retail brand. All of the outlets are well managed and have a significant focus on training to ensure that customers are served by knowledgeable staff who listen and respond to the needs of customers.

Newstead Hotel

Federal Group has undertaken substantial renovations to the Newstead Hotel, in the Launceston suburb of Newstead, since acquiring it in February 2015. The hotel has an excellent location and a full range of services including: large bistro, public and lounge bars, gaming lounge, Ubet and Keno. The reconfiguration and refit of the retail liquor area of the business is now a branded 9/11 outlet, stocking an extensive range of Tasmanian products. The hotel became the 12th Federal Group owned hotel and is a good fit, based on the community presence and full range of hospitality services offered.

Federal Group will continue undertaking improvements to the building and facilities for customers. In addition to investing in significant training of the staff (all staff were retained following the sale). The hotel also retains its strong community feel. The Newstead Hotel currently employs 34 people.

Wrest Point and Country Club redevelopments

Federal Group also has significant plans for major redevelopments at both Wrest Point and Country Club casinos. These casinos operate in a competitive national and global casino and gaming market, and Federal Group recognises the need for ongoing major investments to ensure that the casinos are centres for local entertainment and drawcards for interstate and international visitors. Long-term casino licences, on terms that ensure that Wrest Point and Country Club are competitive with other regional casinos in Australia, will stimulate these significant developments – that will be long-term and transformative in nature.

The redevelopment of these two iconic casino resorts will require significant capital and need to be directed at multiple areas of the business. By starting with the future customers in mind, the redevelopment plans are taking shape and will have the aim of transforming the two properties to meet the needs of modern casino customers. Across Wrest Point and Country Club there will be a focus on:

- Providing a more diverse range of food and beverage options that are highly contemporary and meet the needs of more a broad cross-section of the local and visitor population
- Consolidating the casino floors to provide a more entertaining environment for table game players and EGM players
- Providing better facilities that take advantage of the natural advantages of each property:
 - Wrest Point will need to have a greater focus on facing the experience towards the water
 - Country Club will need to take better advantage of the resort facilities, including the 18 hole championship golf course

These investments will be extensive and expansive, and planning is already well under way for these significant investments for the long-term future of Wrest Point and Country Club.



Section 5

Economic contribution of Federal Group (Deloitte report)

As part of the process of preparing this submission, Federal Group engaged Deloitte Access Economics (Deloitte) to model the economic, social and tourism impact that Federal Group makes in Tasmania. The full report is attached at **Appendix A**.

Deloitte used Input-Output modelling techniques to trace the activities of Federal Group through the Tasmanian economy.

Deloitte measured the direct contribution of Federal Group to the Tasmanian economy using the value added measure, based on financial data supplied by the company from the 2015-16 financial accounts. The direct component of value added measures the income that Federal Group directly produces for the Tasmanian economy. The indirect contribution to value added calculates the value created by industries that produce inputs for the Federal Group.

Deloitte calculated the direct economic contribution of Federal Group to the Tasmanian economy to be \$245.41 million in 2015-16. They calculated the indirect economic contribution of Federal Group to be a further \$97.71 million in 2015-16. Therefore the total value added contribution to the economy by Federal Group in 2015-16 was calculated to be **\$343.12 million**. This represents 1.3% of the total Tasmanian economy and 1.8% of the non-government sector. Federal Group clearly makes a very significant contribution to the Tasmanian economy.

Deloitte also calculated the employment impact of Federal Group in Tasmania. The nearly 1,900 Tasmanians employed by Federal Group equated to 1,325 full-time equivalents (FTE) in 2015-16. Federal Group's purchase of inputs supported the indirect employment of a further 1,012 FTEs. Therefore the total FTE employment supported by Federal Group in 2015-16 was 2,337. This represents 1% of all Tasmanian employment and 1.2% of private sector employment.



Deloitte also found that Federal Group was a significant contributor to Tasmanian Government taxation revenues. In 2015-16 Federal Group paid \$87.4 ^(*) million in Tasmanian State Government taxes. This represented approximately 8.5% of all Tasmanian state tax revenue.

^(*)including GST on gaming (\$21.4M) which is remitted to the Federal Government.

Deloitte also calculated the non-accommodation expenditure of interstate and international visitors that stayed at Federal Group accommodation properties. They calculated the direct additional expenditure to be \$28.7 million in 2015-16, and the indirect additional expenditure to be \$19.7 million. Deloitte therefore calculated a total expenditure impact of \$48.4 million.

Deloitte also estimated the economic impact of the additional time spent in Tasmania by visitors attending a conference at Wrest Point Convention Centre or staying at Saffire Freycinet. They estimated the impact to the rest of the state from these international and interstate visitors at \$10.4 million in 2015-16.

Deloitte also demonstrated that the social impact of the over \$1.8 million in community contributions in 2015-16 were significant.

In summary, the Deloitte report clearly demonstrated that Federal Group makes a very significant positive contribution to the Tasmanian economy, on Tasmanian employment, on Tasmanian state government taxation, on the visitor economy, and on the Tasmanian community.

Section 6

Casino and Gaming licence environment in Tasmania



Federal Group has been the sole gaming licence holder for well over 40 years in Tasmania; since the Wrest Point casino was licensed as Australia's first legal casino in 1973. When the current gaming licence and Deed expires (mid-2023 at the earliest with the rolling term), Federal Group will have held exclusive licences to operate gaming in Tasmania for 50 years. This is a responsibility that the company takes very seriously and is why Federal Group has invested so heavily in developing and supporting stringent and responsible practices that have ensured that Tasmania one of Australia's lowest levels of problem gambling and low levels of gaming density and spend.

Federal Group first proposed that its Wrest Point Riviera Hotel could be the site for Australia's first legal casino in the 1960s. A concept was developed to build a new casino, including Tasmania's tallest building, on the water next to the original hotel. The new casino and tower were a catalyst for growth in Tasmania's fledgling tourism and hospitality sector. The Tasmanian Government of the day was very interested in the concept but, needless to say, had some concerns over whether being the site of a casino would have public support.

The Tasmanian Government therefore put the question of whether the state should licence the casino at Wrest Point to the people through a referendum. This referendum was hard fought and created significant public debate. But in 1968 it passed with just over 50% of the population voting for it to proceed. Wrest Point casino remains to this day the only casino in Australia to have been popularly supported by a vote of the people. From its grand opening on national television in 1973, Wrest Point quickly became the catalyst for Tasmanian tourism and hospitality.

Not just that, Wrest Point demonstrated that casinos could be introduced responsibly and could operate in a way that contributed to, and did not detract from, the local community and economy. Other states used the Tasmanian model as a benchmark, and the people and processes established at Wrest Point became the standard for the establishment of casinos in every Australian state and territory. Wrest Point has

been continuously owned and operated by Federal Group since its establishment in 1973.

The success of Wrest Point in driving economic activity, developing tourism and hospitality, and becoming a centre for entertainment; generated interest in the possibility of the development of a casino in Northern Tasmania. The Tasmanian Government called for expressions of interest in the late 1970s and Federal Group entered this process as part of a consortium. The consortium was successful and developed the new casino in rural land at Prospect, on the outskirts of Launceston. The plans for Country Club casino included an 18-hole championship golf course, accommodation, horse riding and other recreational facilities. Country Club Casino opened in 1982 and similarly served as a catalyst for the tourism and hospitality industry in Launceston, as well as providing an entertainment facility for locals. The development of Country Club also resulted in the development of new residential areas, making it one of the fastest growing population bases in Tasmania. Like Wrest Point, Country Club Casino has been continuously owned and operated by Federal Group since its establishment in 1982.

During the 1970s and 1980s, Wrest Point and Country Club casinos offered a range of table games for players. The game of Keno was introduced at Wrest Point in the 1970s and at Country Club in 1982. The game was originally localised (there were two independent games, one at Wrest Point and one at Country Club), with regular live draws of numbers. In 1986, new gaming machines at both casinos were introduced that mirrored table games – these included Poker and Blackjack.

Following protracted public debate, the government of the day approached Federal Group to manage the introduction of EGMs and Keno beyond Wrest Point and Country Club. The *Gaming Control Act 1993* brought significant changes to the licensed gaming environment in Tasmania. It continued Federal Group's role as the sole licence holder in Tasmania and set the terms for a 15-year exclusive licence from 1993 to 2008. The Act allowed for the introduction of EGMs in Tasmania (as opposed to the table game based gaming machines available in casinos up until that time). EGMs (as available in other states and territories) commenced at Wrest Point and Country Club in 1993.

The *Gaming Control Act 1993*, and the associated agreements between the State and Federal Group, also established wide area gaming in hotels and clubs. The effective operation and strong compliance of casino gaming in Tasmania since 1973 would have undoubtedly been a factor in the decision to continue the exclusive licences held by Federal Group to also deliver gaming in hotels and clubs. Federal Group established a business, Network Gaming, to introduce and manage gaming in Tasmanian hotels and clubs. Network Gaming operated from this time at "arm's length" from the rest of the company and its other business units (including Wrest Point and Country Club).

Network Gaming commenced the rollout of gaming in hotels and clubs with the implementation of Keno from 1994. The game of Keno shifted from live draws to a linked random number generator, with the one draw driving games at Wrest Point, Country Club and the range of hotels and clubs offering the Keno game from 1994. Network Gaming built the expertise, processes and systems to effectively manage gaming across a wide area network of outlets. This included the capacity to establish and run effective monitoring systems that provided information to the Tasmanian gaming regulator about the operation of gaming activities, and for the collection of state gaming taxes.

From 1997, Network Gaming extended the rollout of gaming from Keno to EGMs in hotels and clubs. Like Keno, EGM venues were existing licensed venues selected on the basis of a range of factors including their location, the physical nature of the hotel, and the capability of the licensee in effectively managing EGMs. Network Gaming owned the EGMs and the player expenditure was shared between the three parties; the Tasmanian Government, Network Gaming and the venue operator. Network Gaming was responsible for the selection of EGMs, delivery and set-up of EGMs in the venue, monitoring of EGM compliance and performance, marketing of the venue network, developing customer service standards, and ensuring compliance with industry codes of practice.



Federal Group and Network Gaming had effectively established wide area EGM gaming in Tasmanian hotels and clubs by 2002. However, the Tasmanian Government approached the company at this time because there was no state-wide cap on the number of EGMs in hotels and clubs. So the company and the Tasmanian Government commenced discussions at this time to establish a state-wide cap, to allow hotels and clubs greater control over the EGMs and games in their venues, and to bring forward needed investment in the Tasmanian tourism sector. As a result of these discussions, the Tasmanian Government and the company entered a Deed in 2003 to introduce a state-wide cap on EGMs of 3,680 (2,500 in hotels and clubs), to introduce a venue operator model for EGMs, and to commit to a luxury resort at Coles Bay with an investment of at least \$25 million. The Deed also extended the exclusive licence of the Federal Group over gaming in Tasmania for a period of fifteen years and a rolling term notice period that meant that the arrangements would be in place until at least 2023.

The 2003 Deed was the subject of significant public and parliamentary scrutiny. Both Houses of the Tasmanian Parliament passed the Deed, and associated legislation to give effect to it, in 2003. The Deed was also scrutinised on two occasions by the Public Accounts Committee of the Tasmanian Parliament. All of the elements of the 2003 Deed have been complied with by Federal Group, including the development of the award winning luxury resort, Saffire Freycinet. The resort was built at a cost in excess of \$32 million and has won nearly every award available to luxury resorts; including the best boutique hotel in the world in 2014. Saffire Freycinet is widely regarded as the best luxury hotel in Australia and has delivered significant national and world attention for Tasmania and the Freycinet Peninsula in particular.

Tasmanian gaming has developed responsibly under the exclusive licence holder arrangements. Federal Group has helped to deliver a well-managed gaming industry with high levels of compliance and player protection. The one operator model has also provided the Tasmanian Government with significantly reduced operating costs for the oversight and regulatory provisions of the Gaming Control Act 1993. Federal Group has managed the changes involved in the developing Tasmanian gaming industry since 1973, and played a strong part in the development of the Tasmanian tourism industry and the national casino and gaming industry.

Tasmanian Gambling Statistics in National Comparison



Tasmania has a range of different gambling forms, and has been a leader in introducing new forms of gambling throughout its history. Tasmania was the first state to legalise casinos (Wrest Point in 1973), the first state to legalise public lotteries (Tattersall's in 1896), and the first state to licence gambling exchanges (Betfair in 2006). Some of the key developments over the last 200 years have included¹:

- 1880 totalisator introduced
- 1896 Tattersall's licensed in Tasmania to run public lotteries by post in Australia
- 1932 off course betting shops legalised
- 1973 Wrest Point casino opens, first licensed casino in Australia
- 1974 off course TAB betting introduced
- 1976 Tattslotto introduced
- 1978 instant scratchies introduced
- 1982 Country Club casino opened in Launceston
- 1986 Casino style gaming machines introduced at Wrest Point and Country Club

¹ South Australian Centre for Economic Studies (June 2008); Social and Economic Impact Study into Gambling in Tasmania, [https://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/Soc-Economic-Impact-Study-Vol1.pdf/\\$file/Soc-Economic-Impact-Study-Vol1.pdf](https://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/Soc-Economic-Impact-Study-Vol1.pdf/$file/Soc-Economic-Impact-Study-Vol1.pdf)

- 1991 Tattslotto Extra introduced
- 1993 EGMs introduced into Wrest Point and Country Club
- 1993 EGMs introduced on Bass Strait ferry
- 1994 Keno introduced in hotels and clubs
- 1994 sports betting introduced
- 1997 EGMs introduced in hotels and clubs
- 2001 Tasmanian TAB dissolved and TOTE Tasmania established
- 2006 Betfair licensed

In 2016 there are a range of different forms of terrestrial gambling forms licensed in Tasmania. There are a total of 285 licensed gambling outlets in Tasmania. They include²:

- Wrest Point and Country Club casinos
 - 45 tables (including Roulette, Blackjack, Poker, Baccarat)
 - 1,185 EGMs
 - Keno
- Spirit of Tasmania 1 and 2
 - 36 EGMs
- Tasmanian community hotels
 - 90 hotels with 2,230 EGMs
 - 38 hotels with Keno
- Tasmanian community clubs
 - 8 clubs with 150 EGMs
 - 26 clubs with Keno
- Lottery outlets (newsagents etc)
 - 95 outlets
- Race wagering
 - 141 Ubet outlets (retail and hotel/club/casino)
 - 10 bookmakers
- Minor gaming
 - 345 issued for raffles, bingo, lucky envelopes etc

However, it should be noted that the rapid growth of the internet and mobile technology means that Tasmanians do not have to gamble at licensed terrestrial gambling outlets in Tasmania. There are many thousands of licensed and unlicensed gambling options available to Tasmanians from other parts of Australia or around the globe. These options do not have the same regulatory controls or harm minimisation measures as those in place for licensed gambling outlets in Tasmania.

Younger gamblers in Tasmania are increasingly attracted to these gambling options that may include a huge raft of online casino, gaming, sports betting, wagering and other gambling options. The Tasmanian Government and the Tasmanian community has no information about how many Tasmanians are gambling with providers

² Treasury Tasmania; Gaming and Wagering Industry Data, <http://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/714a9215f1fdf2dfca25798f00012c71/291a95cfa8a4cfe1ca257d8200177251?OpenDocument>

not licensed in Tasmania, nor is there any control over probity or harm minimisation for Tasmanians accessing these options.

According to the third Social and Economic Impact Study (SEIS), real gambling expenditure by Tasmanians fell by 27% between 2008-09 and 2012-13 from \$427 million to \$310 million. As a result, real per adult gambling expenditure also fell considerably (by 29%) over the same period from \$1,113 to \$789. The third SEIS noted that there has been a significant growth in online gambling that is not captured in the available gambling expenditure data³.

The third SEIS found that casino gaming expenditure had declined sharply in recent years. In real terms it had dropped by an average of 8% per annum from 2009-10 to 2012-13. They put this down to a range of factors including: competition from other gaming forms in Tasmania, competition from casinos in other states, as well as the impact of the introduction of the Mandatory Code of Practice in Tasmania in 2012.

Table 1 - Casino Gaming Player Expenditure 2009-10 to 2015-16⁴

Year	EGM	Table Gaming	Keno	Total Casino
2009-10	\$95.8m	\$9.6m	\$3.1m	\$108.5m
2010-11	\$97.1m	\$10.2m	\$3.4m	\$110.7m
2011-12	\$93.2m	\$9.6m	\$3.4m	\$106.1m
2012-13	\$80.6m	\$9.1m	\$2.9m	\$92.5m
2013-14	\$79.1m	\$8.5m	\$2.9m	\$90.6m
2014-15	\$79.8m	\$9.7m	\$3.2m	\$92.6m
2015-16	\$76.9m	\$9.8m	\$3.1m	\$89.8m

As Table 1 demonstrates, casino player expenditure over the last five years has declined, especially in 2012-13 with the introduction of the Mandatory Code of Practice. Player expenditure on all forms of gaming in Tasmania's casinos remains below the levels of 2009-10, this is especially pronounced for EGMs. EGM player expenditure over the six years from 2009-10 to 2015-16 fell by 19.7% in actual terms and by well over 30% in real terms. Table gaming and Keno player expenditure have been flat in actual terms and both fell by well over 10% in real terms over the same period. As a result, total casino player expenditure has declined during the period by around 10% and well over 20% in real terms.

Real per adult casino player expenditure peaked in 2004-05 in Tasmania and has been in decline since that time, with the decline becoming more dramatic since 2008-09. In national terms, Tasmania had the highest real per adult casino gambling expenditure of any state or territory in 2004-05, but this had fallen sharply while other states and territories have grown; meaning that Tasmania has a rate that is now behind a majority of that in other states⁵.

³ ACIL Allen Consulting, The University of Melbourne Problem Gambling Research and Treatment Centre and The Social Research Centre (November 2015); Third Social and Economic Impact Study into Gambling in Tasmania, Volume 1, 80

⁴ Tasmanian Liquor and Gaming Commission, Annual Reports 2013-14 to 2015-16

⁵ Third Social and Economic Impact Study into Gambling (November 2015), Volume 1, 84

Table 2 - Hotel and Club Gaming Player Expenditure 2009-10 to 2015-16⁶

Year	EGM	Keno
2009-10	\$119.6m	\$25.0m
2010-11	\$118.6m	\$27.6m
2011-12	\$115.1m	\$27.7m
2012-13	\$113.3m	\$26.3m
2013-14	\$111.0m	\$29.5m
2014-15	\$113.9m	\$30.2m
2015-16	\$114.2m	\$33.3m

As Table 2 demonstrates, hotel and club EGM player expenditure has declined over the period 2009-10 to 2015-16 by nearly 5% in actual terms and around 20% in real terms. Similar to casino gaming player expenditure, hotel and club EGM player expenditure peaked in 2003-04 and has been in decline since that time. In national terms, real hotel and club EGM player expenditure in Tasmania is the lowest of all the states (except Western Australia that does not have EGMs outside the Perth Crown casino). The third SEIS confirmed that in 2012-13, the average real player expenditure was about one third of that in New South Wales and about half that in Victoria, Queensland and South Australia. The SEIS report also confirmed that the decline in hotel and club EGM player expenditure has fallen at a similar rate in low socio-economic areas to other comparison areas in Tasmania⁷.

Table 3 - Electronic Gaming Machines by State and Territory (excluding WA) 2012-13⁸

State/Territory	Total EGMs	EGMs per 1,000 adults	Share of national
ACT	4,974	16.6	2.5%
NSW	95,318	16.6	48.7%
NT	2,269	12.9	1.2%
QLD	46,882	13.2	24.0%
SA	13,847	10.5	7.1%
TAS	3,526	8.9	1.8%
VIC	28,772	6.4	14.7%
AUS (excl. WA)	195,588	12.4	100.0%

⁶ TLGC Annual Reports, 2013-14 to 2015-16

⁷ Third Social and Economic Impact Study into Gambling (November 2015), Volume 1, 89

⁸ Third Social and Economic Impact Study into Gambling (November 2015), Volume 1, 86

As Table 3 demonstrates, Tasmania has a low share of the national number of EGMs and a low density of EGMs per 1,000 adults in national comparison. There are nearly 200,000 EGMs in Australia and Tasmania has just 1.8% of this amount. When compared as a percentage of the adult population, Tasmania has a very low concentration of EGMs – only the state of Victoria has fewer EGMs per head of population (excluding Western Australia).

Table 4 - Gambling Prevalence Survey Results in Australian States and Territories, using the Canadian Problem Gambling Index⁹

State/Territory	Problem gambling rate (CPGI 8+)	Sample size	Other results
ACT	0.4% (2014)	7,068	0.5% (2009)
NSW	0.8% (2011)	10,000	0.4% (2008), 0.8% (2006)
NT	0.64% (2006)	2,000	n/a
QLD	0.48% (2011)	15,000	0.37% (2008), 0.47% (2006), 0.55% (2003)
SA	0.6% (2012)	9,402	0.4% (2005)
TAS	0.5% (2013)	5,000	0.7% (2011), 0.54% (2007), 0.73% (2005)
VIC	0.81% (2014)	13,554	0.7% (2008), 0.97% (2003)
WA	n/a	n/a	n/a
Australia	0.7% (2009)		

As Table 4 demonstrates, Tasmania has had the highest number of prevalence studies for problem gambling using the Canadian Problem Gambling Index (CPGI) tool. Tasmania also had an additional four prevalence studies conducted between 1994 and 2005 that used the previous standard tool – the South Oaks Gambling Screen (SOGS). Despite being one of the smallest jurisdictions, Tasmania has had more prevalence studies conducted than any other Australian jurisdiction. While Western Australia is sometimes held up as a model for dealing with problem gambling, that jurisdiction has never assessed gambling prevalence using the CPGI tool, and has only conducted one prevalence study; in 1999.

Table 4 also demonstrates that the rate of problem gambling in Tasmania, as assessed using the same tool as other jurisdictions, is among the lowest in Australia. The current problem gambling rate of 0.5% equates to approximately 2,000 adults. It is worth comparing this with the proportion of Tasmanian adults at risk of long term harm from alcohol, which is at 22.7% of the population and both increasing and well above the national average¹⁰. However, with regard to problem gambling, the rate in Tasmania is both below the national average and falling¹¹.

⁹ Australasian Gaming Council (2015); Problem Gambling Prevalence Statistics – Australia 1999-2015, www.austgamingcouncil.org.au

¹⁰ Department of Health and Human Services (2013); Tasmanian Alcohol Report 2013, https://www.dhhs.tas.gov.au/__data/assets/pdf_file/0011/138359/FINALTasmanianAlcoholReport20132.pdf

¹¹ Australasian Gaming Council (2015); Problem Gambling Prevalence Statistics – Australia 1999-2015



In summary, Tasmania has a long history of gambling and has been a leader in forging some of Australia's key gambling industries – including lotteries and casinos. There is a range of different gambling forms licensed in Tasmania but this is becoming less relevant as internet and mobile technology is disrupting traditional regulatory systems and increasingly attracting younger Tasmanian gamblers. EGM and casino gaming player expenditure in Tasmania has been in decline for the last decade and this has been particularly pronounced in casinos. Rates of EGM player expenditure and the density of EGMs in the community in Tasmania are well below most states and the national average. Similarly, the rates of problem gambling in Tasmania are falling and below the national average and rate in most other states; as well as being significantly lower than the rates of risky alcohol consumption in Tasmania (that are well above the national average).



Section 8

Tasmanian Social and Economic Impact Studies

There have been three comprehensive social and economic impact studies (SEIS) into gambling in Tasmania. All of these studies have been undertaken by independent and highly credible research organisations, using well-established methodologies. Importantly, each study has assessed gambling prevalence using the internationally recognised benchmark for determining levels of problem and moderate risk gambling in a population – the Canadian Problem Gambling Index (CPGI). No other State or Territory in Australia has taken such a comprehensive approach to studying the social and economic impact of gambling at such regular intervals. The three reports and their authors have been as follows:

- 2008, the first SEIS was undertaken by the South Australian Centre for Economic Studies
- 2011, the second SEIS was undertaken by a consortium of the Allen Consulting Group, the Problem Gambling Research and Treatment Centre, and the Social Research Centre

- 2014, the third SEIS was also undertaken by a consortium of the Allen Consulting Group, the Problem Gambling Research and Treatment Centre, and the Social Research Centre (released in March and November 2015)

While each SEIS has undertaken a consistent approach to assessing gambling prevalence and the nature of gambling and the gambling industry in Tasmania, each report has also focused on a specific element of the Tasmanian gambling environment.

This section will focus on the key results from the most recent study, the third SEIS. The third SEIS was published in three volumes and two parts. Part A, including volume 1 (gambling industry trends and impacts) and volume 2 (2013 Tasmanian gambling prevalence survey), was published in March 2015. Part B, including volume 3 (assessment of harm minimisation measures), was published in November 2015¹².

Part A focused on:

- An update on the size, structure and characteristics of Tasmanian gambling and the Tasmanian gambling industry;
- Changes in gambling behaviours and revenues;
- Gambling prevalence;
- An exploration of the social and economic impacts of gambling in eight local government areas. Four of which comprised lower socio-economic areas and four of which were used as a point of comparison

Some of the most relevant findings from volume 1 included:

- The density of EGMs in Tasmania was lower than the national average at 8.9 per 1,000 adults (the national average is 11.1)
- There was a small reduction in the number of gaming venues in Tasmania between 2011 and 2014
- The level of Tasmanian spending on gambling activities and products remains low when compared to other jurisdictions
- From 2008-9 to 2012-3, real gambling expenditure in Tasmania fell by 27% from \$427 million to \$310 million:
 - The authors attributed this decline to Tasmania's poor economic climate and the growth in online gambling
- There has been a corresponding decline in real per capita gambling expenditure from \$1,113 in 2008-9 to \$789 in 2012-3 (considerably lower than the national average of \$1,167 in 2012-13)
- Between 2009-10 and 2012-3, real casino gambling expenditure fell by 8% per annum
- Gambling expenditure as a proportion of household disposable income is 1.6%, compared to the national average of 2.0%

¹² Third Social and Economic Impact Study into Gambling (November 2015)

- Gambling revenues to the Tasmanian Government represent on average between 10 and 11% of state sourced annual revenue
- The Tasmanian gambling industry employed approximately 4,061 people in 2013; of which some 3,170 were employed in EGM and casino gaming and 517 in casino gaming
- The report provided three separate modelling scenarios to estimate the contribution of gambling to the Tasmanian economy:
 - Scenario 1 – the cessation of Tasmanian gambling industry and diverted to offshore gambling, would reduce Tasmania's real GDP by 1.10% and reduce employment by 1.26%
 - Scenario 2 – the cessation of the gambling industry with substitution to other goods and services, would reduce Tasmania's real GDP by 0.73% and reduce employment by 0.66%
 - Scenario 3 – problem gambling in Tasmania halves, would reduce Tasmania's real GDP by 0.07% and reduce employment by 0.10%

The 2013 Tasmanian Gambling Prevalence Survey was reported in volume 2. The survey comprised the findings from around 5,000 telephone interviews with adults across Tasmania. A dual sample frame was used, which enabled the inclusion of Tasmanian adults using a mobile phone only. Some of the most relevant findings from volume 2 included:

- Tasmanian gambling participation by adults has dropped significantly from 71.7% in 2008, to 64.1% in 2011, and then to 61.2% in 2013
- The most common forms of gambling reported were lottery tickets (43.0%) and Keno (26.0%)
- Decreased participation rates were found for EGM gambling from 20.7% in 2011 to 18.6% in 2013
- Gambling frequency for Tasmanian adults decreased from an average of 29.5 sessions per annum in 2011 to 24 sessions per annum in 2013
- There were slightly higher participation rates for gambling in lower socio-economic areas (67.8% vs 61.2%)
- There were significantly lower participation rates in gambling by: younger people, students, those on low incomes, university graduates and those born overseas
- Average gambling expenditure was higher in: males, people aged 55-64, and people in full-time paid employment
- Amongst gamblers, the highest annual spends were: betting on horses or greyhounds (\$1,140 per annum) and gambling on EGMs (\$656 per annum)
- Online gambling participation was 7% of Tasmanian adults, but four times higher than this for moderate risk and problem gamblers
- The application of the CPGI with 5,000 Tasmanian adults found the following:
 - 0.5% of adults were problem gamblers (8+ score on the CPGI), down from 0.7% in 2011
 - 1.8% of adults were moderate risk (3-7 score on the CPGI), up from 1.6% in 2011

- 3.9% of adults were low risk (1-2 score on the CPGI), down from 5.2% in 2011
- 54.9% of adults were non-problem gamblers (0 score on the CPGI), down from 56.7% in 2011
- 38.8% were non-gamblers, up from 35.2% in 2011
- Compared to non-problem gamblers, moderate risk and problem gamblers participated at a higher level in most forms of gambling including: EGMs, betting on horse/greyhound races, playing Keno, playing casino table games, betting on sporting events
- Average spend among moderate risk and problem gamblers was estimated at \$5,366 per annum, and was responsible for an estimated 20.5% of all gambling expenditure
- The proportion of problem gamblers in low socio-economic areas was 1.1%, compared to the Tasmanian average of 0.5%
- The prevalence of problem gambling was significantly higher among people in full-time paid employment at 1.1%, compared to the Tasmanian average of 0.5%
- The average proportion of licensed venues with gaming was higher in low socio-economic areas (26%) compared to the comparison group (17%)
- Use of gambling support services declined between 2011 and 2013

Part B of the third SEIS was reported in November 2015 and assessed the suite of harm minimisation measures introduced by the Tasmanian Government in 2012 through the Responsible Gambling Mandatory Code of Practice. Some of the most relevant findings from volume 3 included:

- Problem gambling is not stable and people move status over time; approximately half of moderate risk and problem gamblers had transitioned into non-problem gambling status between the first and third SEIS reports
- Most gamblers across all gambling activities were aware of at least one harm minimisation measure for that gambling activity, especially gamblers that may experience problems
- EGM harm minimisation measures are effectively targeting at-risk EGM players without influencing the enjoyment of other EGM players
- Perceived impact of individual harm minimisation measures was:
 - Advertising – there was **moderate, but mostly circumstantial**, support for these measures
 - Inducements – there was **relatively good, but circumstantial**, support for this measure
 - Player Loyalty Programs – there was **fair, but largely circumstantial**, support for these measures
 - ATMs banned in EGM hotels/clubs – there was **moderate** support for this measure
 - Reduced withdrawal amounts at ATMs in casinos and EFTPOS – there was **moderate** support for this measure

- Restricting cash payouts of winnings – there was less support for effectiveness of this measure
- Adequate lighting – there was **little reliable** empirical data supporting this measure
- No service of food or alcohol after 6pm – there was **relatively limited** support for this measure
- Visible clocks in venues – there was only **limited** support for this measure
- Information to players – there was **relatively good** support for this measure
- Reduced EGM maximum bet from \$10 to \$5 – there was **relatively good** support for this measure
- Reduced EGM maximum number of lines from 50 to 30 – there was **poor** support for this measure
- Reduced cash input limit for EGMs in casinos – there was **moderate, but mostly circumstantial**, support for this measure
- Enhanced staff training – there was **generally poor evidence** to support this measure
- Strengthened self-exclusion – there was **relatively good** support for this measure
- The majority of gamblers reported always employing harm reduction strategies when they gambled but were less likely to employ harm avoidance strategies; they were more likely to employ strategies that control their money and frequency, rather than their time
- The majority of gamblers consider that the various harm minimisation measures have had no impact upon their individual freedoms
- The financial costs of the harm minimisation measures were between \$36 million and \$45 million

The third SEIS report, in addition to the first two, has focused on all forms of gambling. However, the particular focus has been on EGMs and their impact in the Tasmanian society and economy. The third SEIS was yet another thorough examination of gaming in Tasmania, and in the company's view demonstrated that the system is well controlled with strong player protection and low rates of harm when compared to other Australian states and territories.

Each SEIS has also called publicly for submissions from interested organisations and individuals. Federal Group provided a comprehensive submission (Appendix B) to the study and provided additional evidence requested by the researchers that undertook the study. The company was surprised at the lack of submissions made to the study, there were only six made and only the submissions from Federal Group and Anglicare could be described as comprehensive.

In summary, gambling in Tasmania (and especially EGM gaming) has been more thoroughly examined and researched than in any other Australian state or territory. In addition to regular gambling prevalence studies of the Tasmanian population, the reports have focused on many key aspects of Tasmania's gambling environment. The third SEIS report demonstrated clearly that Tasmania has the strongest controls in Australia, the most comprehensively researched gambling environment in Australia, and among the lowest problems gambling rates in Australia.



Section 9 EGMs in Tasmania

Term of Reference (a) relates to EGMs in Tasmania – their location, number and form – and raises important issues about the perspective of consumers. Tasmania actually has a very low density of EGMs and their location is largely determined by historical factors as well as the location of Tasmania’s two casinos. The types of EGMs that can be played in Tasmania are the subject of significant regulatory controls at both the national and state level, and both tight regulatory oversight and testing by independent authorities.

Federal Group’s observation is that most Tasmanians regard the playing of EGMs as a lawful form of entertainment, and their principal expectation is that the product is fair, provides reasonable returns to players, and has a high level of consumer protection.

EGMs exist because of consumer demand and the exercise of consumer choice. An important element in discerning the kaleidoscope of community attitudes to gambling is to note that a significant proportion of Tasmanians play EGMs, and do so as a matter of free choice.

Tasmanian community attitudes towards gambling and EGMs are often discussed in the public domain. The course of each discussion is heavily influenced by how it is initiated and how it is framed. For example, Anglicare recently commissioned a survey that asked respondents a range of questions around EGMs and their preferences for the future of EGMs in Tasmania. When questions are “pushed” at respondents about certain attitudes towards EGMs, then the responses are largely negative. However, Federal Group believes strongly that the best and most meaningful measure of Tasmanian community perception is to ask questions about the social and economic issues of greatest concern to them, unprompted.

Over a significant period of time, Federal Group has subscribed to such a survey, conducted by EMRS each quarter with 1,000 Tasmanians. The telephone survey asked respondents to identify the social and economic issues of greatest concern to them. Unsurprisingly, issues like unemployment, health, education, law and order, and economic development all rated very strongly. Unemployment was often an unprompted issue of concern for over 40% of respondents. However, unprompted concerns about gambling each quarter in this survey between 2012 and 2015 were 0%. This highlights that when Tasmanians are asked to rate the major issues of concern to them, gambling does not rate highly at all and is consistently identified by less than 1% of respondents.

In addition to considering abstract questions of degrees and types of concern about gambling, the Committee should also consider community and consumer aspirations for responsive product offerings and access to these offerings.

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 municipality¹³. 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.

Firstly, the issue of the existence of Tasmania's two biggest EGM venues, Wrest Point and Country Club, has not been dealt with. The "Heatmap" does not incorporate EGM activity at either of the two casinos, despite these venues having around one third of the total EGMs in Tasmania. What this means is that the EGM player expenditure related to municipalities in which the casinos are located within (or adjacent to) is artificially dampened, and the EGM player expenditure in municipalities located further from the two casinos is artificially boosted.

For example, Wrest Point casino is located at Sandy Bay. Wrest Point is located within the Hobart municipality and adjoins the Kingborough municipality. From our membership database, we know that the postcodes 7005 (Sandy Bay) and 7050 (Kingston) are the residential areas from which Wrest Point draws its highest proportion of EGM players. Similarly, many players are drawn from the Huon and Clarence municipalities to Wrest Point, yet fewer come from the Glenorchy municipality. The EGM expenditure for all patrons of Wrest Point is not included in the Anglicare "Heatmap"; this results in the comparative average expenditure per adult in, say, Hobart and Glenorchy, appearing to be significant when in fact much of the EGM play for residents of Hobart would not have been recorded because their regular venue was Wrest Point.

Similarly, in relation to Country Club, the casino is located at Prospect. This is within the Meander Valley

¹³ Anglicare Tasmania – Social Action & Research Centre, Poker Machines cause harm in your local area, http://www.pokermachinescauseharm.org.au/in_your_area/

municipality. Again, we know that many of Country Club's patrons travel from either Launceston or its surrounding rural areas, or from the North-West Coast. Country Club has a significant geographic reach across northern Tasmania from many municipal areas and any of this EGM expenditure is not incorporated into the "Heatmap". This again skews the results and makes the difference in average player expenditure between residents in different municipalities appear significant when it is not.

Secondly, and perhaps most significantly, the weakness of the "Heatmap" is that it attributes EGM player expenditure within a municipality to residents of that municipality. While a proportion of the expenditure in any EGM venue will come from residents of the same municipality, it will never be 100% and in some cases a significant proportion of the expenditure will come from residents of other municipalities. This significantly skews the "Heatmap" and means that it cannot accurately assess the EGM expenditure by residents in a local area or municipality; this can only be achieved through a comprehensive survey tool and methodology.

Many EGM hotel and club venues attract players from a wide geographic area. There are city, suburban or regional areas that act as hubs for local activity; including for entertainment. Similarly, there are many hotels and clubs in Tasmania that are located very close to municipality boundaries. In all of these cases, it is not possible to accurately determine the proportion of EGM expenditure in a venue (or municipality) that has come from residents of that municipal area.

The "Heatmap" would also imply that residents of the Southern Midlands, Central Highlands, and Tasman have no EGM expenditure whatsoever. This is of course not the case. Residents of those municipalities would have EGM expenditure at hotel or club EGM venues outside of their municipality; or at either Wrest Point or Country Club. The "Heatmap" also takes no account of interstate/international visitors that may use EGMs at a Tasmanian hotel or club. Instead, all of the expenditure is assumed to have come from local residents of the municipality in which the venue is located.

For all of these reasons, the Anglicare "Heatmap" does not assess the EGM expenditure of the residents of a municipality.

With regard to the number of EGMs in Tasmania, the Committee should note that there are a number of different caps in place. The first is the overall state-wide cap, currently at 3,680. The second is the hotel and club EGM cap, currently 2,500. The third and fourth are the venue caps, currently 30 for a hotel and 40 for a club.

The third SEIS identified a total of 3,526 EGMs in Tasmania in 2014. This included 2,180 EGMs in hotels and 173 EGMs in clubs; as well as 1,173 EGMs at the two Tasmanian casinos. In Australia there are around 197,500 EGMs in hotels, clubs and casinos. A significant majority of these (184,600 or over 93%) were located in hotels (70,200) and clubs (114,400). Tasmania therefore has less than 1.8% of the total EGMs in Australia and less than 1.3% of the total EGMs in Australian hotels and clubs.

As a result of this, Tasmania has a low density of total EGMs per 1,000 adults in national comparison. In Australia, the average number of EGMs per 1,000 adults is 11.1; rising to 12.4 EGMs per 1,000 adults if Western Australia is excluded (WA only has EGMs in the Crown Perth casino). In Tasmania, the density of total EGMs per 1,000 adults is significantly lower than the national average at 8.9. Western Australia and Victoria are the only states or territories with a lower density of EGMs (see **Table 3**).

When the density of hotel and club EGMs is compared with other states and territories, Tasmania's rate is even lower again than the national average. Throughout Australia, the average density of hotel and club EGMs per 1,000 adults is 10.5 and (11.6 if Western Australia is excluded). In Tasmania, the density of hotel and club EGMs is just 5.9 per 1,000 adults¹⁴.

¹⁴ Third Social and Economic Impact Study into Gambling (November 2015), Summary, 21-3

These data clearly demonstrate that Tasmania has a low density of EGMs in the Tasmanian community. Only Western Australia and Victoria have a lower density of EGMs and the average is significantly lower than the national average; especially when comparing the relative densities in the suburbs and regions as demonstrated by the very low density of hotel and club EGMs in Tasmania.

With regard to the types of EGMs in Tasmania, all machines must comply with the Australia/New Zealand Gaming Machine National Standard 2016 ("National Standard"). The National Standard provides guidance to manufacturers for the design of gaming machines, game software and related equipment; and provides a testable standard to ensure that common regulatory requirements will be met. In addition to the National Standard, each jurisdiction has a local Appendix – setting out any additional or differing requirements for their specific jurisdiction. The Standard supports the gaming machine regulatory framework in each jurisdiction which includes regulatory obligations to prevent or minimise the potential harm from gambling and/or ensure industry provides gambling services in a responsible manner. In addition to common gaming legislative consumer protection provisions that require the integrity and fairness of games, businesses that supply goods or services must also ensure that they comply with applicable consumer guarantees under relevant consumer law.

The National Standard is freely available to the public on the Tasmanian Treasury website at the following address:

[https://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/GMNS2016.pdf/\\$file/GMNS2016.pdf](https://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/GMNS2016.pdf/$file/GMNS2016.pdf)

In addition to this, there is a Tasmanian Appendix to the National Standard that provides for the unique elements of the Tasmanian environment. Many of these unique features in Tasmania are due to the more stringent regulatory environment in the state. For example, some of the following changes to the National Standards are included in the Tasmanian Appendix:

- T2.6 – note acceptors are not allowed in EGMs in Tasmanian hotels and clubs
- T2.7 – the maximum cash input limit for EGM note acceptors in Tasmanian casinos must not exceed \$500
- T3.5 – a maximum of 30 lines on all EGMs
- T3.6 – a maximum bet limit of \$5 on all EGMs
- T3.16 – if the net win of an EGM spin is less than the total credit bet, then congratulatory messages are prohibited
- 3.17 – the time between the start and end of play for an EGM game must be at least 3 seconds
- T3.23 – auto gamble features on EGMs are prohibited
- T3.25 – all EGM games must meet the very detailed and stringent player information display requirements

The Tasmanian Appendix is also freely available to the public on the Tasmanian Treasury website at the following address:

[https://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/TasmanianAppendixv10.06.pdf/\\$file/TasmanianAppendixv10.06.pdf](https://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/TasmanianAppendixv10.06.pdf/$file/TasmanianAppendixv10.06.pdf)

As the National Standard and the Tasmanian Appendix demonstrate, EGMs are very tightly controlled and regulated. The Standards are extremely detailed and even more stringent in Tasmania. Federal Group works closely with the Tasmanian Liquor and Gaming Commission, testing agencies, and EGM and game manufacturers to ensure that all EGMs in Tasmania are fully compliant with these Standards.

In summary, the location of EGMs in Tasmania has been determined by a range of historical factors – such as where existing hotels and clubs were located and the licensees that were interested in offering EGMs in their venue. While reports such as the “Heatmap” produced by Anglicare indicate that some municipalities have a high concentration of average EGM expenditure by local residents, the methodology used does not allow this claim to be made and the results are highly skewed. Tasmania actually has a very low density of EGMs throughout the community compared to other states and territories of Australia. The EGMs in use in Tasmania are all compliant with the rigorous National Standard and Tasmanian Appendix to the National Standard, and have significant controls in place to comply with the Tasmanian regulatory environment for EGMs – which incorporates the strictest controls and harm minimisation measures in the country.



Section 10

The Hodgman Government post-2023 gaming structural framework

The Terms of Reference for this Joint Select Committee inquiry include an assessment of the Tasmanian Government's proposed approach to the issue of gaming licences beyond 2023. The approach is outlined in the document "Hodgman Liberal Government post-2023 Gaming Structural Framework" ("the Framework"). The company is in broad agreement with much of the Framework, although it is by its nature a broad document and the issues are complex. Much of the challenge in designing an approach to gaming licences beyond 2023 will be in the detailed consideration of many of the broader issues contained in this Framework.

The most appropriate way to deal with this Term of Reference is to discuss each of the Guiding Principles and elements of the Proposed Policy Position in the Framework in turn.

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*

Federal Group agrees with this principle. From our interactions with consumers, Federal Group is confident that most Tasmanians would agree with it too. Gambling has a long history in Tasmania and the State was the first to legalise gaming through a referendum and subsequent licensing of Wrest Point casino from 1973. Gambling is a part of the social fabric of Tasmania.

Tasmania currently has a wide range of gaming products available, including various table games, Keno, and a range of EGMs. With regard to EGMs, Tasmanian regulations ensure that the products are consistent with a range of technical standards and are subjected to rigorous testing by an independent testing agency. Tasmanian EGMs and Keno have a minimum return to player that is strictly complied with and monitored by regulatory agencies; information is also available to players about the return to player for each game.

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*

Federal Group agrees with this principle. Tasmania has a system of regulation that is rigorous and has ensured that there are high standards of probity and public confidence in the system. The exclusive gaming licences in place since 1973 have ensured that both the Tasmanian Government and Federal Group have a strong and clear incentive to maintain very high standards. Federal Group has invested heavily in systems, processes and people to ensure that all parties can have confidence in the management and outcomes from gaming in Tasmania.

The Tasmanian gaming system of regulation and harm minimisation measures has helped to create a sustainable and responsible sector. Rates of problem gambling remain low in Tasmania and the average spend per capita and as a percentage of income are well below national averages.

3. *The financial rewards from the gaming industry should be shared appropriately among the industry, players and the Government representing the community.*

Federal Group agrees with this principle in broad terms. A key element of a healthy gaming industry is that all the key sectors receive an appropriate return. For the industry (hotels, clubs, casinos, and licensed gaming operators) this should be sufficient to allow them to continue to invest (in facilities and people) as well as recognise the scale of the investments that have already been made. It is important that the industry can and does re-invest and therefore acts as a catalyst for wider economic development at a local, regional and state level.

The return to players of gaming products also needs to be appropriate. The minimum return to player for EGMs and Keno is established in legislation, although Tasmanian EGMs provide a return to player that is well above this minimum. Players need to have confidence in their chance of winning from a gaming activity, while also keeping their gambling in context – because the house has an edge.

The Tasmanian Government also needs to get a financial reward that is appropriate to allow them to fund key Government functions; including health, education and infrastructure. In 2015/6, the Tasmanian Government received \$96.4 million in gambling taxes and licence fees; \$55.9 million was specifically received in respect of casino and hotel/club gaming activities. However, it is also important that the financial rewards to the Tasmanian community include jobs, investment and economic activity – the current arrangements provide for significant levels of these. The Deloitte report (**Attachment A**) conducted on behalf of Federal Group identified that the company contributed \$343 million to the economy in 2015-16, and over 2,300 full-time equivalent jobs.

4. *The placement or relocation of EGMs 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.*

Federal Group agrees with this principle in broad terms. While the number and location of EGM venues have been very stable for the last 15 years, the company does recognise that there has been a push in recent years by individuals and local groups to have a greater say in whether new machine venues in a local area should be allowed.

Federal Group's support for this principle is clearly demonstrated by the company's support for the recent Gaming Control Amendment (Community Interest) Bill 2016 that passed the Tasmanian Parliament in November this year. Federal Group also took the position that an application made after the Treasurer's announcement (in March this year) for a new gaming machine venue in Glenorchy, should not be allowed to proceed until it had been the subject of the announced community interest test. This was because it was clearly an intention of the Tasmanian Government and was also a matter to be considered by this Committee.

The detail of the community interest test is to be determined during 2017 and we reserve providing a full endorsement of this approach until the detail has been finalised and the test put in place. While the concept of a test is a good one, it would not be a good outcome if it meant that no new venues could be opened in Tasmania; especially in areas that are under serviced. The test will need to strike an appropriate balance. As population change occurs over time, there needs to be the capacity to move EGMs between venues and to open new venues. It is not in the community interest to allow the industry to harden by locking in the geographical distribution of EGMs that existed in 2016.

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.*

Federal Group agrees with this principle, although the appropriate duration of a gaming licence should take account of a range of factors. One of these is the level of investment required to underpin the operations, this is particularly the case in regard to casinos.

In addition to this, the most appropriate duration of gaming licences beyond 2023 will need to be determined by a number of other factors. For businesses conducting gaming operations, licences provide the level of certainty necessary to undertake investments in facilities, infrastructure and people. Licences to undertake gaming operations also provide the capacity to gain finance to undertake investments and to underpin operations. For Federal Group, with a long history of holding gaming licences in Tasmania, we also need to support the past heavy investment made by the company in casino, gaming and tourism infrastructure. Finally, licences beyond 2023 will need to reflect the conditions under which the gaming market will operate and particularly whether the licence is exclusive or otherwise (in addition to other matters incorporated into these Terms of Reference). These issues are discussed in greater detail in **Section 14**.

Proposed Policy Position – 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 licence fee arrangements.

Federal Group agrees with this policy position. Federal Group has owned and operated Wrest Point under a licence from the Tasmanian Government since 1973 and Country Club since 1982. The company has also operated the game of Keno in Tasmania under a licence since the 1970s. Construction of the two major complexes at Wrest Point and Country Club was only possible with the certainty of the casino licences, and it would be unreasonable in the extreme not to continue those licences while the two casinos and Keno are operated appropriately.

The appropriate taxation rates, licence fees and licence terms and duration are discussed later in this document (**Sections 12 and 14**). In particular, it will be important to assess the gaming licence fees and taxation rates for EGMs in casinos to ensure that Tasmania's casinos operate on a level playing field with other regional casinos in Australia.

The tax rates and licence 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.

Federal Group agrees with this policy position. The tax rates and licence fees that apply to Tasmania's casinos need to be reviewed against those in place in comparable regional mainland casinos.

The current arrangements, with the Exclusive Right to operate all gaming in Tasmania resting with Federal Group, have allowed a skewed system to develop. This is largely because the taxation and licence fee mix for the various forms of gaming does not matter when all activities are licensed to the one entity. For convenience and simplicity a flat rate of EGM tax across all venues has been applied. However, with the removal of the Exclusive Right to gaming after 2023 (which this policy advocates and Federal Group recognises is the likely outcome), it will be important to review the mix of taxes and licence fees. This should include a particular focus on setting the EGM tax rates for casinos at an appropriate level that is comparable with other regional casinos in places like Townsville, Cairns and Darwin. Similarly, the removal of the Exclusive Right after 2023 will require a review of gaming licence fees as they are all currently applied to casino licences and not to hotel and club gaming licences.

These issues are discussed in greater detail in **Section 12**.

Limited new "high roller, non-residential" casino licences should be available in Tasmania in addition to the Federal Groups' 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.

Federal Group accepts this policy position, so long as these licences are granted in a manner consistent with the company's understanding of the intended operation of these licences. The company understands that these licences will have the following features:

- Table gaming only (no EGMs)
- Maximum of twelve tables
- Not available to Tasmanian residents
- The same regulatory and licence conditions as those that apply to Wrest Point and Country Club
- A licence end date that does not exceed the licences of Wrest Point and Country Club
- No amendments to licence conditions without the agreement of other casino operators

The above features are consistent with the casino sought by Mr Walsh to operate at MONA in Berriedale. Assuming that Mr Walsh was to meet the licensing and probity requirements, Federal Group would be comfortable with this licence being granted after the cessation of the rolling term of the current Deed (mid-2023 at the earliest).

So long as it incorporated the same features in the licence as those listed above, Federal Group would also be comfortable for a “high roller, non-residential” casino licence to be granted for a location in Northern Tasmania at the end of the Rolling Term.

Proposed Policy Position – Hotel 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.

Federal Group acknowledges this policy position. The Government’s policy position with regard to future arrangements for the operation of hotel and club EGMs, in addition to additional casino licences being made available, means that the exclusivity in gaming licensing in Tasmania that has existed since 1973 will end from 2023. Federal Group acknowledges that this will be the new environment beyond 2023 but has a strong desire to continue to be a significant player in the Tasmanian gaming sector for the long-term.

The Government has effectively identified the two major options for the structure of hotel and club EGMs post 2023. The first is to continue with the single operator model, but use a market process to determine the entity that will be the operator. The second is to move to the model in place in other states and territories, where hotels and clubs are directly licenced and own and operate their EGMs; a venue ownership model. Discussion of the advantages and disadvantages of either option is covered in the next section of this submission.

There are two matters that Federal Group would like to make the Committee aware of that will need to be considered when recommending the most appropriate model for the operation of EGMs in hotels and clubs after 2023.

The first matter is the system for taxation and licence fees. The exclusive licence for all gaming activities that has been held by Federal Group has resulted in a skewed tax and licence fee system developing, and will require a review of the current split between taxes and licence fees. This is discussed further in **Section 12** of this submission.

The second matter is the complexities that will emerge in the transition from the current arrangements to a new model. The transition required to shift to either of these two options for hotel and club EGMs post 2023 can be very complex. There are a number of issues that it will be important to consider for minimising disruption for the operator and hotel and club EGM venues. For example, under the option of continuing the single operator model but putting it out to a tender, dealing with existing assets will need to be considered.

The advantages and disadvantages of each model are discussed further in the next section of this submission.

In relation to overall EGM numbers from 2023 onwards, the state-wide EGM cap, which pre-2023 is 3,680 will be decreased to 3,530 machines – a reduction in the cap of 150 machines.

Federal Group accepts this policy position, although the cap will need to be clarified to a greater extent. The Committee should note that there are a number of different caps in place with regard to EGM numbers in Tasmania. The first is the overall state-wide cap, currently at 3,680. The second is the hotel and club EGM cap, currently 2,500. The third and fourth are the venue caps, currently 30 for a hotel and 40 for a club.

Federal Group acknowledges that much of the public concern raised regarding EGM numbers is in reference to hotels and clubs. Federal Group would therefore believe that the intention is to reduce the cap on EGM

numbers in hotels and clubs from the current 2,500 to 2,350, in addition to reducing the state-wide cap to 3,530. The Committee should note that there are currently 2,380 allocated EGMs in Tasmanian hotels and clubs.

If the cap is reduced then the Tasmanian Government may be required to offer incentives for current hotel and club EGM venues to give up their EGMs. This may be a challenging process to manage.

The Committee may wish to consider focusing just on the state-wide hotel and club EGM cap (currently 2,500), rather than the entire EGM cap that includes those located at Wrest Point and Country Club (currently 3,680).

The tax rate and licence fee for hotel and club EGMs are to be reviewed with a view to ensuring that the return 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 at least be in the same position they are today.

Federal Group agrees with this policy position. Federal Group recognises that beyond 2023 it is unlikely to be the sole gaming licence holder. This will require reform to the taxation and licence fee arrangements for gaming in Tasmania.

The split of taxation and licence fees between the various parties and forms of gambling has not been an issue for Federal Group and the Tasmanian Government in the past. With one licence holder for gaming paying taxation and licence fees to the Tasmanian Government, only the total taxes and fees paid have been the concern.

This has allowed a system to be established that is out of step with all other jurisdictions around the country and also out of step with good practice. This has been particularly pronounced in two areas: the taxation of EGMs, and the fees paid each year by licence holders. 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 hotels and club network.

The current gaming tax and licence fee arrangements in Tasmania have evolved in a unique way due to the single licensed operator being in place for all gaming in the state. If the arrangements are to change from the current single operator model in 2023, then the current arrangements will need to change to provide a more efficient and sustainable arrangement that is fair to all parties, while not decreasing the overall tax take for the Tasmanian Government. Reforms are particularly required in the area of EGM tax rates applied to casinos and annual licence fees paid in respect of casinos. Federal Group contends that the arrangements in place in other Australian regional centres with casinos (and also hotels and clubs with EGMs) should provide a potential model for Tasmania going forward – especially Townsville, Cairns and Darwin.

This issue is discussed in greater detail in **Section 12**.

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.

Federal Group acknowledges this policy position. 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. 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 (such as “beer

tickets"). That argument has never applied to the operation of EGMs in casinos. The fact that Federal Group has always been a strong supporter of charities and the arts has also been a relevant factor.

The Levy is distributed according to an agreed methodology with:

- 25% for the benefit of sport and recreation clubs;
- 25% for the benefit of charitable organisations; and
- 50% for: gambling research (including social and economic impact studies); gambling prevention, treatment for problem gamblers, community gambling education, and other health services.

The funds flowing into the Levy annually have generally been in the range of \$4.5 million to \$5.0 million. In the financial year 2015-16, the amount was \$4.57 million.

Federal Group has no particular view on whether the funds have been distributed appropriately, although notes that the funds distributed for gambling treatment have gone to credible organisations and helped to deliver an effective Gamblers' Help program in Tasmania.

It should also be noted however that the number of problem gamblers in Tasmania is steady or declining and therefore the demand for these services is unlikely to increase in the future.

Federal Group believes that the distribution of funds to sport and recreation clubs, and charitable organisations has suffered from perception issues in the past; largely that the funds have gone to organisations in the same areas (electorates) and that the source of the distribution (EGMs in hotels and clubs) has not been made sufficiently clear. However, despite these perception issues there is no evidence of any undue influence over the distribution, nor has there been any deliberate attempt to mask the source of the funds.

However, the decision to allocate funds from the Levy to the Neighbourhood House program (currently \$1.5 million) does raise some issues. The Neighbourhood House program is a credible one and the recipient organisation does valuable work in the community, but funding for this program is more appropriately made directly from the State Budget and provided through a Government agency such as the Department of Health and Human Services. Funding this valuable (but ongoing) program through the Levy is not in keeping with the original intention of the establishment of the Levy.

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.

Federal Group accepts this policy position. It should be noted that the company has already expressed support for this policy position (in principle) through the public and parliamentary debates about new hotel gaming venues and the *Gaming Control Amendment (Community Interest) Bill 2016*. The Commission will develop the process and criteria for the community interest test in the coming months.

It will be important the process and criteria used in the final community interest test achieve an appropriate balance. The final test will need to allow members of the community and relevant local organisations to express their views on any new EGM venues, and for the TLGC to be able to appropriately consider these views in their decision making. However, it is also important that the test is not so restrictive that it denies any opportunity to new gaming venues in the future; especially where there are areas of Tasmania without venues or where there have been new levels of population growth.

Similarly, Federal Group does not support any attempt to apply the test to EGM venues that were already in place in March 2016. These venues have either invested heavily in their venue or paid a premium in buying their venue, based on the assumption that the revenue received from gaming activities would be used to fund these investments. To apply the test to existing venues would represent an issue of sovereign risk. It should also be noted that existing venues could lose their EGMs should they have serious breaches of legislation or Commission rules.

Assessment of market based mechanisms to operate EGMs in hotels and clubs



The authority for electronic gaming to operate in Tasmanian hotels and clubs was provided by the *Gaming Control Act 1993*. From 1997, EGMs began operating in selected Tasmanian hotels and clubs. The number of venues with EGMs has been stable at around 100 since that time.

The model used to operate EGMs in Tasmanian hotels and clubs is sometimes referred to as a “single operator model”. Under this arrangement, all of the EGMs in Tasmanian hotels and clubs are owned and financed by Network Gaming; a subsidiary of Federal Group. All machine installation, monitoring, promotion, financing, maintenance, and replacement – as well as the payment of taxes and charges – is the responsibility of Network Gaming. Network Gaming rents the EGMs to hotels and clubs.

Under this single operator model, hotels and clubs are not directly licensed by the Tasmanian Government (other than through a Licensed Premises Gaming Licence that confirms the venue is appropriate and that the licensee is a fit and proper person). The decisions about which venues will operate EGMs has been largely at the discretion of Network Gaming; although the company notes (and supports) that new gaming venues after March 2016 must pass a community interest test.

Throughout Australian states and territories there are a range of different models to organise electronic gaming in hotels and clubs. At present, with the exception of Western Australia where there are no EGMs outside of

the Crown Casino in Perth, EGMs are owned and operated by the individual hotels and clubs and the venues are directly licensed by the relevant state regulatory authority. Tasmania is the only jurisdiction where there is a single operator model that incorporates an intermediary (Network Gaming) that is the sole licensed operator that owns all EGMs.

However, all jurisdictions with EGMs in hotels and clubs do licence an intermediary to undertake the central monitoring function. This connects all EGMs in hotels and clubs and ensures that the relevant Government authority can track the utilisation and performance of each EGM.

Until recently, Victoria had a “dual operator model” where all EGMs in hotels and clubs were owned by two licensed entities – Tatts Group and Tabcorp. However, the Victorian Government moved in 2012 and implemented a new model that broadly reflected the arrangements in other states and territories (except Tasmania), where each hotel and club was directly licensed by the state gaming authority and the intermediary entities were removed, except for the central monitoring function that each hotel and club venue must undertake and fund.

When the current arrangements for hotel and club gaming mature and there is the capacity for the Tasmanian Parliament to alter the arrangements, there are essentially two major options for proceeding within the scope of “market based mechanisms” as outlined by the Tasmanian Government and foreshadowed in these Terms of Reference.

The first option is to continue with the current single operator model. If this model were continued then a market based mechanism would most likely involve a tender (either open or limited) where potential licence holders could bid to be the sole licence holder for EGMs in hotels and clubs under a specified set of arrangements that included a range of variables such as:

- Licence term
- Taxation arrangements
- Licence fees
- Functions to be delivered
- Quality of service to be provided
- Specific arrangements (such as basing operations in Tasmania)
- Bid price (up-front and/or annual)
- Transition arrangements, including dealing with existing assets

It would be assumed that such a tender would be conducted well before the earliest current date for new arrangements to apply, 1 July 2023.

A complicating factor in such a tender would be the transition arrangements in relation to existing assets. There would be up to 2,500 EGMs in the hotel and club network that are leased by Federal Group and would need to be dealt with through the tender. Any bidder would be required to deal with these assets, which would have a significant residual value. EGMs are a significant asset that cost around \$30,000 per unit when new and have a lifecycle of 5 years.

There are many benefits to the current single operator model. This model has worked well in Tasmania and has delivered a responsible and well-regulated industry that has worked to deliver high levels of player protection and low rates of problem gambling (as confirmed by gambling prevalence studies). Having a single licensed operator provides for strong levels of accountability and responsibility, as the company has a lot to lose through non-compliance. Network Gaming has managed the network of EGMs in hotels and clubs to a high level of

quality and with a focus on venues implementing strong levels of player protection.

Another benefit is that the single operator model significantly dampens the negative aspects of competition in the system. In most sectors of the economy, competition is a positive force that delivers high levels of efficiency and innovation. However, in the case of electronic gaming, competition can create incentives for unscrupulous practices and non-compliance. This could result in negative consequences for EGM players, especially any players that are at greater risk.

The second option is to introduce a similar model to that in place in most other jurisdictions. This would incorporate direct licensing of each hotel and club directly and the removal of the intermediary (Network Gaming) for all functions except gaming machine monitoring. This model has been effectively introduced and implemented in other states and territories, and has also been outcome of a transition recently from a dual operator model (in Victoria).

Under this model, each hotel and club would be directly licensed by the Tasmanian Liquor and Gaming Commission. They would pay taxes and levies to the Tasmanian Government and a monitoring fee to the central monitoring provider. There is an alternative to this model whereby the central monitoring provider also collects all taxes and levies on behalf of the Tasmanian Government; this would provide the Government with far greater revenue certainty and reduce the risk. If this model was to be pursued then Federal Group would recommend this being put in place as a safeguard in the system.

There are a number of reasons why this model could be considered for Tasmania in the future. EGMs have been operated responsibly in Tasmanian hotels and clubs for around 20 years. While the Tasmanian Government has not directly licensed them, these venues have worked closely with Network Gaming to ensure high levels of regulatory compliance and player protection are incorporated into the system. It should also be noted that the venues with EGMs throughout the last 20 years have been very stable.

This model could also make it simpler to build a more effective taxation and licensing system in Tasmania. This will be discussed further in the next section, although it should be noted that the current arrangement of providing a flat tax on EGMs across casinos, hotels and clubs is out of step with other jurisdictions and does not provide for a level playing field. This has not been a concern when the system has had a single licensed operator for all gaming in Tasmania. However, it would require a reform under a different model. This could be achieved in a way that was revenue neutral for the Tasmanian Government and improved the returns for hotel and club venues from EGMs.

This model could also allow for an increased financial return to hotels and clubs with EGMs. This would increase the capital value of each hotel, but would bring with it greater responsibilities as each hotel and club would be directly licensed by the Tasmanian Government. They would therefore become responsible for many functions that had previously been managed by Network Gaming. This would include the financing of EGMs and other gaming equipment, something that would be very expensive and may stretch some smaller operators with modest balance sheets.

In summary, Federal Group recognises that there are two alternatives if the decision was taken to adopt “market based mechanisms” for delivering electronic gaming in Tasmanian hotels and clubs. These are the current single operator model or direct licensing of each hotel and club. The current model has worked effectively for the last 20 years, although Federal Group recognises that there would be an option to move to the model in place in other states and territories. The Committee should note both options would be complicated and include increased levels of risk.

Future taxation and licensing arrangements



The Government's post-2023 Gaming Structural Framework incorporates a position that would end the sole gaming licence holder position that Federal Group has held in Tasmania since 1973. Federal Group recognises that beyond 2023 it is unlikely to be the sole gaming licence holder.

If this is to occur then the taxation and licence fee arrangements for gaming in Tasmania will also require reform. The split of taxation and licence fees between the various parties and forms of gambling has not been an issue for Federal Group and the Tasmanian Government in the past. With one licence holder for gaming paying taxation and licence fees to the Tasmanian Government, only the total taxes and fees paid have been the concern.

This has allowed a system to be established that is out of step with all other jurisdictions around the country. This has been pronounced in two areas: the taxation of EGMs, and the fees paid each year by licence holders. 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.

The current gaming tax and licence fee arrangements in Tasmania are as follows:

Table 5 - Tasmanian gaming taxes and licence fees¹⁵

Gambling Form	Tax Rate (GST inc.)
Gaming Machines – Casino	35.00%
Gaming Machines – Hotel and Club	35.00%
Keno – all venues	15.00%
Table Games	10.00%
Casino Licence Fees	\$1.8 million pa

However, other jurisdictions with multiple gaming licence holders have very different arrangements for EGM taxes and licence fees. These arrangements are as follows:

Table 6 - Gaming taxes and casino licence fees in all Australian states and territories 2015-16¹⁶

State/ Territory	EGM Hotel	EGM Club	EGM Casino	Table Casino	Keno	Licence Fees pa*
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

* Annual casino licence fees

¹⁵ New South Wales Government – the Treasury (March 2016); Interstate Comparison of Taxes 2015-16, http://www.treasury.nsw.gov.au/Treasury_Research_Papers

¹⁶ New South Wales Government – the Treasury (March 2016); Interstate Comparison of Taxes 2015-16, http://www.treasury.nsw.gov.au/Treasury_Research_Papers

If the sole licence holder arrangement for both casino and hotel and club gaming is to cease from 2023 then there will need to be a corresponding change in the gaming taxes and licence fees paid by Tasmanian gaming licence holders. This 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.

The two identified issues of EGM taxation and gaming licence fees require further discussion.

EGM taxation in Tasmania has been flat across all EGMs (regardless of their location) since 2013. The rate of 35% (GST inclusive) applies to EGMs throughout Tasmania, whether they are located in Wrest Point, Country Club, or in the network of hotels and clubs. As Table 6 shows, no other state applies a flat tax to EGM gaming. In these jurisdictions, EGMs are taxed at a lower rate in casinos than they are in hotels and clubs. The reasons for this include the major investments in community and tourism infrastructure, responsible gambling, and compliance activity undertaken in respect of casinos. 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 will require a reform of EGM taxation to meet principles of fairness and comparability.

Gaming licence fees in Tasmania are skewed for historical reasons. Prior to EGMs being implemented in Tasmanian hotels and clubs through Network Gaming in 1997, all of the gaming licence fees were paid in respect of Wrest Point and Country Club. However, even when the arrangements changed, the licence fees paid each year remained almost entirely the domain of Wrest Point and Country Club. These arrangements are an anomaly when compared to those in place in other states and territories, and defy logic when viewed in light of a potential multiple licence holder environment beyond 2023. Again, this issue is not a great concern when there is a single licensed gaming holder in Tasmania, but Federal Group contends that the arrangements must be reformed if the model is changed and the single licensed gaming operator moves to multiple licensed gaming operators.

These two issues have served to make Tasmania's two casinos uncompetitive with their counterparts interstate. It is the internal cross-subsidisation to Network Gaming operations that mask this lack of competitiveness, but if there is a market based mechanism in place for hotel and club EGM operations beyond 2023 then there will need to be changes put in place.

These reforms should be easily accommodated within the previously announced principles of the Tasmanian Government in their Gaming Structural Framework. This Framework aims to ensure that there is no reduction in the return to players, venues or Government revenue. The way that this could be simply achieved is to beyond 2023 apply the following:

- Table gaming tax rates remain the same
- Keno gaming tax rates remain the same
- Casino EGM tax rates reduce to those of other comparable regional casinos in Australia
- Hotel and Club EGM tax rates increase by a corresponding amount to the reduction in casino EGM tax rates (and in line with EGM tax rates in hotels and clubs in other jurisdictions, while ensuring that the principle of hotel and club venues not being worse off than under the current model – the operator/monitoring body would receive less)
- Licence fees amended to a base amount per licence holder with an additional amount based on risk and scale (total amount collected remain similar)

The most relevant locations to compare with Tasmania with regard to EGM tax rates and licence fees are those in regional centres, rather than major population centres such as Sydney, Melbourne and Brisbane. The most comparable centres where casinos and hotel/club EGMs operate together include Townsville, Cairns and Darwin.

Townsville is a significant regional centre in North Queensland. The Townsville region had over 230,000 residents in 2015¹⁷ and welcomes over 800,000 domestic and international overnight visitors per year¹⁸. In addition, Townsville has a casino that operates alongside a number of hotel and club gaming venues. The Townsville casino has 370 EGMs, numerous table games and 194 accommodation rooms¹⁹. This profile has many similarities to Tasmania and the casinos of Wrest Point and Country Club.

Cairns is also a significant regional centre in North Queensland, and is a major visitor hub. The Cairns region had over 160,000 residents in 2015²⁰ and welcomes over 1.7 million domestic and international visitors per year²¹. In addition, Cairns has a casino that operates alongside a number of hotel and club gaming venues. The Cairns casino has 540 EGMs, numerous table games and 128 accommodation rooms²². This profile also has many similarities to Tasmania and the casinos of Wrest Point and Country Club.

The Darwin region in the Northern Territory had over 140,000 residents in 2015²³ and welcomes over 1.7 million domestic and international visitors per year. In addition, Darwin has a casino that operates alongside a number of hotel and club gaming venues. The Darwin casino has 750 EGMs, numerous table games and 154 accommodation rooms²⁴. This profile also has many similarities to Tasmania and the casinos of Wrest Point and Country Club.

These three regional centres have many similarities to the Tasmanian demography and the cities in which casinos are located. They lack the major local population base of cities such as Sydney (4.9 million), Melbourne (4.5 million) and Brisbane (2.3 million). In our experience it is not relevant to compare the casinos and conditions in these cities with those of Tasmania. Cairns, Townsville and Darwin (unlike Sydney, Melbourne and Brisbane) have relatively small and regional local populations to draw from and strong visitor economies; with casinos of a similar scale²⁵.

Regional casinos still require appropriate compliance infrastructure and support areas to operate their businesses, even though their scale is small in national terms. It is therefore very difficult for regional casinos to compete with the major casinos in Australia's biggest cities.

¹⁷ Move to Townsville; Economic Snapshot, <http://www.movetotownsville.com.au/economic-snapshot>

¹⁸ Tourism and Events Queensland; Townsville Tourism Profile, <https://cdn-teq.queensland.com/~media/9cc06308e62c4c87a0f7a4a729dec9a2.ashx?la=en-au&vs=1&d=20140509T084812>

¹⁹ The Ville Resort Casino; Rooms, <http://www.the-ville.com.au/stay/facilities/rooms/>

²⁰ Cairns Regional Council; facts, figures and history, <http://www.cairns.qld.gov.au/region/facts>

²¹ Tourism and Events Queensland; Cairns Tourism Profile, <https://cdn-teq.queensland.com/~media/234fe2d7d91e4918b9cb9d27e7b6bb06.ashx?la=en-au&vs=1&d=20140509T084806>

²² The Reef Hotel Casino; <http://www.reefcasino.com.au/casino/default-en.html>

²³ Australian Bureau of Statistics; 3218.0 Regional Population growth Australia, <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/3218.0Main%20Features502014-15?opendocument&tabname=Summary&prodno=3218.0&issue=2014-15&num=&view>

²⁴ Skycity Darwin; About us, <https://www.skycitydarwin.com.au/about-us/>

²⁵ ABS; Regional Population Growth

It is therefore instructive to compare the casino tax rates and licence fees that apply in Tasmania to those in Cairns, Townsville and Darwin. These are as follows:

Table 7 - Casino Tax Rates and Licence Fees (selected regional Australian casinos)²⁶

	Wrest Point	Country Club	Townsville	Cairns	Darwin
Table Tax	10.00%	10.00%	10.00%	10.00%	9.09%
Keno Tax	15.00%	15.00%	10.00%	10.00%	10.00%
EGM Tax	35.00%	35.00%	20.00%	20.00%	15.00%
Licence Fee	\$1,800,000 pa	\$1,800,000 pa	\$919,200 pa	\$919,200 pa	Not imposed

Table 7 above demonstrates a number of things. Firstly, that the tax rates on EGMs at Wrest Point and Country Club are significantly higher than those applied in Cairns, Townsville or Darwin. Secondly, that the licence fees payable by Wrest Point and Country are also double those payable in Cairns and Townsville (there are no licence fees applied in the Northern Territory).

Cairns, Townsville and Darwin all have similar regional population bases and strong tourism sectors that also define the locations of the two Tasmanian casinos. Similar to Tasmania, these regional casinos operate gaming activities alongside hotels and clubs that operate EGMs. A shift away from an exclusive model for gaming in Tasmania would require a review of the taxation and licence fee arrangements in Tasmania, and the arrangements in Cairns, Townsville and Darwin would therefore be good locations to compare. Federal Group would consider it important for the Committee to gain an understanding of these jurisdictions and their approach to taxation and licence fees for these regional casinos.

In summary, the current gaming tax and licence fee arrangements in Tasmania have evolved in a unique way due to the single licensed operator being in place for all gaming in the state. If the arrangements are to change from 2023 then the current arrangements will need to change to provide a more efficient and sustainable arrangement that is fair to all parties, while not decreasing the overall tax take for the Tasmanian Government. Reforms are particularly required in the area of EGM tax rates applied to casinos and annual licence fees paid in respect of casinos. Federal Group contends that the arrangements in place in other Australian regional centres with casinos should provide a potential model for Tasmania going forward – especially Townsville, Cairns and Darwin.

²⁶ New South Wales Government – the Treasury (March 2016); Interstate Comparison of Taxes 2015-16, http://www.treasury.nsw.gov.au/Treasury_Research_Papers



Section 13 Harm minimisation measures and the Community Support Levy

Gaming in Tasmania, in particular EGMs, has arguably the strictest regulations and controls of any jurisdiction in Australia. Many of these controls are designed to minimise harm and protect players; they are either outlined in legislation or, more commonly, outlined in Rules through the Mandatory Code of Practice. These measures ensure that EGMs in Tasmania are among the most regulated products available to adults in the community.

The list of harm minimisation strategies is extensive and consistent across hotels, clubs and casinos in Tasmania. In most jurisdictions in Australia there are significant differences between the required practices in hotels/clubs and those in casinos.

The range of harm minimisation strategies in Tasmania includes:

- Bans on credit gambling
- Gaming venues only allowed to operate for a maximum of 20 hours per day – in most states enforced breaks only apply to hotels/clubs
- No ATMs in hotels and clubs with gaming – most states allow ATMs in hotels and clubs (but outside the gaming area)
- Cash withdrawal limits and account limits on ATMs in casinos
- State-wide self-exclusion program that includes hotels/clubs and casinos with options for venue and third party exclusion – many states have self-exclusion at the venue level only
- Adequate numbers of clocks must be displayed – not required in all states
- Requirement for staff to have completed responsible gambling training – not required in all states
- EGM or Keno winnings must not exceed \$1,000 in cash with excess to be provided by cheque – this is not generally required in casinos in other states (NSW, QLD, SA, WA), or the amount is \$2,000 (VIC)
- Requirement for proper lighting in EGM venues – not required in most states

- Food or alcohol not to be served to patrons at EGMs after 6pm – not restricted in most states other than general requirement not to serve anyone intoxicated
- Minors not allowed in gaming areas
- All staff must be licensed
- Note acceptors banned in hotels/clubs – allowed in most states (except SA)
- Limitations on spin rates of EGMs (3 seconds per game)
- Maximum bet limit of \$5 – most states are \$10 and often much higher for casinos
- Maximum number of lines per EGM game of 30 – most states do not restrict the number of lines per game
- Minimum EGM return to player of 85% - although the actual return to player is currently above 90% for both the casinos and hotels/clubs
- Relevant warnings and player information on all EGMs – only some other states have a requirement for warnings and player information
- Significant advertising restrictions regarding EGMs
- Significant restrictions on the operation of player loyalty programs (including tiering, points accumulation and player activity statements) – most states have few restrictions on the operation of player loyalty programs and where they do the restrictions are usually only on player activity statements
- Significant restrictions on inducements and promotions (including amounts used for gambling, time and gambling requirements to access, requirements to attend prize draws) – most states only have limited restriction on the use of promotions and inducements
- Player information displayed
- Gamblers' Helpline available and promoted in all venues
- Gamblers' Help website
- Availability of face to face problem gambling counselling services through Gamblers' Help (also financial counselling and online counselling available)
- Regular media awareness campaigns about problem gambling
- Availability of gambling information in all gaming venues
- Responsible Gambling Managers in casinos
- Regular Social and Economic Impact Studies that determine gambling prevalence rates
- Venue caps on hotels (30 EGMs) and clubs (40 EGMs)
- State-wide caps on hotel and club EGMs (2,500)
- State-wide caps on all EGMS (3,680)

The list above is not exhaustive but clearly demonstrates a comprehensive range of harm minimisation strategies that are in place. These strategies are particularly comprehensive with regard to EGMs and their depth and breadth points to the Tasmanian harm minimisation approach being the most comprehensive on any

Australian jurisdiction. The Tasmanian system provides the most significant player protection to EGM players in hotels, clubs or casinos.

It is worth comparing this significant list of harm minimisation strategies in place for terrestrial gaming venues in Tasmania with those in place for online gaming. Tasmanians that gamble online through regulated Australian sites will have some limited player protection measures in place, but there is almost zero on many international sites. Given the rapid growth in online and mobile gaming, their popularity with younger gamblers, and the decline in terrestrial gaming in Tasmania; the issue of the current and future balance of harm minimisation measures needs to be seriously considered. To continue to further restrict and regulate terrestrial gaming options may drive more players to the less regulated or unregulated online gambling environment. People with problem gambling tendencies can gamble with no monitoring and no regulation; this may attract more problem gamblers in the future and may lead to significant unintended consequences (in addition there is no revenue to the Tasmanian Government to fund any of these consequences).

In summary, the list of harm minimisation and player protection measures affecting EGMs (and other forms of gambling) in Tasmania is comprehensive. Any comparison with the measures in other Australian jurisdictions will lead to the conclusion that Tasmania has adopted the most stringent approach in the nation. Undoubtedly the range of measures in Tasmania has helped to deliver a gambling environment with amongst the lowest levels of problem gambling in Australia.

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 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.

The Levy is distributed according to an agreed methodology with:

- 25% for the benefit of sport and recreation clubs;
- 25% for the benefit of charitable organisations; and
- 50% for: gambling research (including social and economic impact studies); gambling prevention, treatment for problem gamblers, community gambling education, and other health services.

The funds flowing into the Levy annually have generally been in the range of \$4.5 million to \$5.0 million. In the financial year 2015-16, the amount was \$4.57 million.

As noted above, Federal Group has no particular view on whether the funds have been distributed appropriately, although notes that the funds distributed for gambling treatment have gone to credible organisations and helped to deliver an effective Gamblers' Help program in Tasmania.

It should also be noted however that the number of problem gamblers in Tasmania is steady or declining and therefore the demand for these services is unlikely to increase in the future.

Federal Group observes that the distribution of funds to sport and recreation clubs, and charitable organisations has suffered from perception issues in the past; largely that the funds have gone to organisations in a small number and a narrow range of geographic areas (electorates) and that the source of the distribution (EGMs in hotels and clubs) has not been made sufficiently clear. However, despite these perception issues there is no evidence of any undue influence over the distribution, nor in Federal Group's opinion has there been any deliberate attempt to mask the source of the funds.

However, the decision to allocate funds from the Community Support Levy to the Neighbourhood House program (currently \$1.5 million) does raise some issues. The Neighbourhood House program is a credible one and the recipient organisation does valuable work in the community, but funding for this program is more appropriately made directly from the State Budget and provided through a Government agency such as the Department of Health and Human Services. Funding this valuable (but ongoing) program through the Community Support Levy is not in keeping with the original intention of the establishment of the Levy and has the appearance of shifting funding to relieve pressure on the Tasmanian State Budget.

In summary, Federal Group considers the Community Support Levy to have been an effective way of disbursing some of the profits from hotel and club gaming towards valuable organisations and activities. In particular, the funding of gambling treatment and prevention has provided valuable support for people that may have problems with their gambling; and the grants to charitable organisations and sport and recreation groups has benefited the Tasmanian community. Federal Group would recommend two refinements to the Levy going forward. Firstly, to ensure that the source of the funds distributed through the Levy for the various activities is always made clear. Secondly, to ensure that it is not used to fund activities that are more appropriately funded by the Department of Health and Human Services (or other Government Departments) through the State Budget.

Duration and Term of Licences



The most appropriate duration and term of gaming licences beyond 2023 will need to be determined by a number of different factors. For businesses conducting gaming operations, licences provide the level of certainty necessary to undertake investments in facilities, infrastructure and people. Licences to undertake gaming operations also provide the capacity to gain finance to undertake investments and to underpin operations. For Federal Group, with a long history of holding gaming licences in Tasmania, they also need to support the substantial investments made by the company in casino, gaming and tourism infrastructure. Finally, licences beyond 2023 will need to reflect the conditions under which the gaming market will operate and particularly whether the licence is exclusive or otherwise (in addition to other matters incorporated into these Terms of Reference).

Tasmanian gaming licences have been exclusively held by the Federal Group since 1973. In that year the Wrest Point casino licence came into effect and the licence to operate gaming at Wrest Point has been held by the company ever since. Wrest Point was the first casino licence granted in Australia and the arrangements between Federal Group and the Tasmanian Government were the benchmark for probity and responsibility used by other

states and territories. The Australian casino industry was built on the successful introduction of casino gaming in Tasmania under the responsible practices of Federal Group. In 1982, the casino licence in respect of Country Club Casino came into effect and – similarly to Wrest Point – the licence to operate gaming there has been held by the company ever since. The casino licences originally provided authority for the operation of table games and were then expanded to incorporate table game based gaming machines (in 1986), the combined game of Keno (in 1990) and then to include EGMs (in 1993).

The *Gaming Control Act 1993* provided for a new licence to the Federal Group to operate the game of Keno and then EGMs in Tasmanian hotels and clubs. This licence was operated (and continues to be operated) by the subsidiary of Federal Group, Network Gaming. Keno commenced in Tasmanian hotels and clubs in 1994 and then EGMs commenced in 1997. The number of hotel and club venues has been relatively stable since that time with around 100 venues operating EGMs and over 160 venues operating the game of Keno.

The Federal Group licences to operate the various gaming activities in Tasmania have, over time, been brought together with the same duration. In 1973, the original casino licence was for a period of 15 years. The Country Club licence was then issued in 1982 for a period of 15 years. During this period, the licence for Wrest Point was extended once in 1982 for a period of 25 years (from the original granting in 1973). The *Gaming Control Act 1993* then brought the licences for Wrest Point, Country Club and Network Gaming under a consistent duration and similar terms. The licence duration and terms were incorporated into a Deed that was passed by the Parliament. It incorporated 15 years duration for the three different licences and was due to expire in 2008.

In 2003, the Tasmanian Parliament passed the *Gaming Control Amendment Act 2003* that incorporated a new Deed and subsequent licences. The Deed continued the role of Federal Group as the sole licensed gaming company in the state and incorporated a 15-year duration followed by a “rolling term”. The rolling term meant that the first opportunity for changed arrangements to come into effect would be 1 July 2023. The 2003 Deed set out a range of matters that became part of the Federal Group licences including:

- A 15-year Exclusive Right as the sole gaming licence holder followed by a rolling term
- That Federal Group meet all costs associated with the Central Monitoring System
- Developing a premium standard resort at Coles Bay with an investment of at least \$25 million – using Tasmanian contractors and materials where feasible
- Introducing a Flexible Operator Model for hotels and clubs that allowed the venue to choose from a selection of EGMs
- Implementing player protection measures and supporting the efforts of the Tasmanian Government in this area
- Introducing a state-wide cap of 3,680 EGMs and 2,500 EGMs in hotels and clubs
- The venue caps for hotels (30) and clubs (40)
- Gaming tax rates
- Casino licence fees

The arrangements set out in the 2003 Deed have been adhered to by both parties (Federal Group and the Tasmanian Government) and remain in effect to this day.

The duration and terms of gaming licences in other states and territories vary significantly and are often difficult to directly compare with those in Tasmania. With regard to casinos, the relevant components around the country are as follows:

Table 8 - Australian Casino Licences – Expiry and Exclusivity*

Operator	Licence Expiry	Licence Exclusivity
Star Sydney	Perpetual	Yes, until 2019
Crown Melbourne	2050	No
Treasury Brisbane	Perpetual	No
Jupiters Gold Coast	Perpetual	No
Breakwater Townsville	Perpetual	No
Reef Cairns	Perpetual	No
SkyCity Adelaide	2085	Yes, until 2035
Crown Perth	2060	No
Aquis Canberra	Perpetual	No
SkyCity Darwin	2031 (with 5 year extensions)	Yes
Lasseters Alice Springs	2026 (with 5 year extensions)	Yes
Wrest Point	2018 (with 5 year rolling term)	Yes
Country Club	2018 (with 5 year rolling term)	Yes

* Research conducted by Federal Group

Table 8 above demonstrates that licences for casinos around Australia are either perpetual or for very long periods. However, many of these licences do not hold exclusivity. The shorter-term licences in both Tasmania and the Northern Territory do have exclusivity. The exception is Adelaide Casino, which holds nearly 20 years exclusivity but includes a commitment to invest in a casino expansion and hotel development project to be completed by 2019. Some other periods of exclusivity have also existed following major developments or investments, such as Crown Melbourne following the initial build.

The terms of hotel and club licences to operate gaming in other states and territories are often complex. Some jurisdictions have licence durations and some have entitlements to provide gaming that are tradeable. New South Wales, Victoria, Queensland and South Australia all have unique licence systems that are often very complex. They generally reflect “rights” to operate gaming machines in hotels and clubs that were either won through a competitive process or granted through holding an appropriate licence when EGMs and direct licensing at venue level was provided for. Some states allow existing holders of appropriate licences and entitlements to trade these entitlements within a government approved market. These complex licence terms throughout Australia all demonstrate the difficulties in moving to and then administering a system where hotels and clubs have gaming licences directly with the Tasmanian Government. There are often new and very complex licence arrangements to be established and then administered by the State Government, and then new markets are established that can have unintended consequences.

Federal Group notes that the Tasmanian Government has announced its intent to change the arrangements and end the exclusivity of Federal Group’s gaming licences that have been held since 1973. The introduction of new high roller table gaming licences from 2023 at MONA and in Northern Tasmania, in addition to potentially new market based mechanisms for hotel and club gaming, will remove this exclusivity.

Consistent with the approach taken in other states and territories to casino licences, Federal Group contends that the removal of exclusivity will require a shift to long-term licences to provide the necessary certainty. This certainty and links to future investments have been largely provided by the exclusivity of previous and current licences that the company has held with the Tasmanian Government.

Federal Group contends that the previously announced intention to extend the licences for Wrest Point, Country Club and Keno should be for a much longer term (or perpetual) beyond 2023; in line with the arrangements in other states and territories. The most appropriate term would be to provide these licences for a long period, and allow for a reasonable period where no further casino licences would be granted (beyond those identified in the Government's structural framework for limited casino licences in the South of Tasmania for MONA and another in the North of Tasmania). This would allow for a number of things to occur:

- It would underpin the current and future investments in facilities and infrastructure at Wrest Point and Country Club
- It would provide certainty for the current workforce at these two businesses (currently nearly 1,100 Tasmanians at Wrest Point and Country Club, and nearly 1,900 across Federal Group)
- It would provide confidence for Federal Group's financiers as the company negotiates a new financial facilities agreement
- It would reflect the significant investments made in the casinos (and other gaming and tourism infrastructure) by Federal Group
- It would reflect the removal of the exclusive gaming licences held by Federal Group since 1973

With regard to hotel and club licences, the duration and term of these will need to be carefully considered. If a single operator model were to be continued, then the duration and terms of the licence would need to be clearly articulated prior to any competitive process. It would be expected that under this model the licence duration would be for a significant period. If a direct licensing and venue ownership system is put in place, then the duration of licences (based on experience in other states and territories) tend to be for a shorter fixed term or renewed annually. Federal Group contends that either model also needs to incorporate amendments to the tax and licence fee arrangements, to reflect the removal of gaming licence exclusivity and to ensure that taxes and fees are fairly and appropriately apportioned to the various gaming activities and players.

In summary, Federal Group has held exclusive licences to operate gaming in Tasmania since 1973 – by the end of the current licence period the company will have been the sole gaming operator for 50 years. Federal Group was Australia's first casino gaming licence holder and the practices and controls implemented by the company and Tasmanian Governments have helped to build the highly successful Australian casino industry. Federal Group notes that the Tasmanian Government's intention is to remove the exclusivity held by the company regarding gaming licences after 2023. In line with the approach taken in other states and territories, the licences for Wrest Point, Country Club and Keno should therefore move to long-term durations that would reflect and underpin the previous, current and future investments made by the company in its casino and tourism infrastructure. This would provide certainty and confidence to the company, its employees and its financiers and appropriately reflect the removal of gaming exclusivity.



Section 15

Conclusion

Federal Group has a long and proud history of operating a range of services businesses in Tasmania since 1956. Federal Group was the first company to be licensed to operate a casino in Australia and has been given the privilege and responsibility of being the sole gaming licence holder by successive Tasmanian Governments since 1973. Federal Group has invested heavily in Tasmania, and continues to invest with a range of current and planned investments in casinos, tourism and hospitality.

A report prepared for the company by Deloitte Access Economics confirmed that Federal Group makes a significant contribution to the Tasmanian economy, with a contribution of \$343 million in valued added in 2015-16. This represents 1.3% of all Tasmanian economic activity, and 1.8% of the non-government economy. Deloitte's also confirmed that Federal Group's direct and indirect contribution to employment was 2,337 FTE's, representing about 1% of all Tasmanian employment; and paid \$87.4^(*) million in state taxes, or around 8.5% of all Tasmanian state taxation revenue. Deloitte's also confirmed that Federal Group makes a significant contribution to Tasmanian tourism and a significant social contribution through its sponsorship and community support activities.

(*) including GST on gaming (\$21.4M) which is remitted to the Federal Government.

Federal Group has helped to build a responsible and sustainable casino and hotel/club gaming sector in the state. EGM player expenditure in Tasmania has been in decline over the last decade in actual terms, and has decreased significantly in real terms. In comparative terms, EGM expenditure in Tasmania is low and remains well below the national average, even when allowing for lower incomes in Tasmania. The density of EGMs in the Tasmanian community is also well below the national average and problem gambling rates are also among the lowest in the country.

Gambling in Tasmania has been the subject of three social and economic impact studies and many gambling prevalence studies over the last 20 years. Despite being a small jurisdiction, gambling in Tasmania has been more extensively and thoroughly studied than in any other state or

territory. The most recent study identified that gambling in Tasmania has been responsibly managed with low levels of harm and strong levels of player protection.

Despite some commentary in Tasmania to the contrary, there are low levels of unprompted concern about gambling as a social and economic issue; especially when compared to other issues such as employment, health, education, and law and order. A recent Tasmanian study by Anglicare about levels of player expenditure by municipality is skewed; it fails to take account of the impact of casinos and has not identified where the players reside, only where the EGMs are located. The density of EGMs in the Tasmanian community is low in national terms and the EGMs that are in Tasmanian venues must meet both the National Standard and then the specific Tasmanian requirements for this more tightly regulated gaming sector.

Federal Group acknowledges the Hodgman Government's structural framework for the future of gaming markets beyond 2023. The company broadly agrees with the five principles laid out in the framework as guiding the future of gaming beyond 2023. Federal Group also agrees with many of the proposed policy positions laid out within the framework, although there are many complex issues that need to be considered:

- 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
- Federal Group agrees that the EGM tax rates and licence fees need to be reviewed and brought into line with other regional mainland casinos
- Federal Group accepts the move to two new high-roller table gaming only casinos, so long as the licence terms are not more favourable or the licence duration longer than those that apply to Wrest Point and Country Club
- Federal Group acknowledges that the arrangements for hotel and club gaming beyond 2023 will be the subject of a market based mechanism (either a tender or direct venue licensing), although tax rates and licence fees will need to be reviewed in this context
- Federal Group accepts that there will be a reduction in the EGM cap beyond 2023, which is assumed to apply to EGMs in hotels and clubs
- Federal Group also supports a reform to the tax rates and licence fees paid, in light of the end of Federal Group's position as the sole licence holder this will be essential
- Federal Group acknowledges the need to review the Community Support Levy and believes that it is important that the Levy is used to fund activities in line with its original intent
- Federal Group supports the introduction of a new Community Interest Test, although notes that it should not be used as a tool to stop all new EGM venues or EGM relocations in the future

Federal Group notes that there are two alternative options for the future licensing of hotel and club EGM operators beyond 2023. The first would be to run a tender (full or limited) and continue with a "single operator model" where a single business (currently the Federal Group subsidiary, Network Gaming) is the sole licence holder for all hotel and club EGMs. The second would be to move to a similar model to other states, where the hotels and clubs with EGMs are directly licensed by the state regulator. Both models have advantages and disadvantages, but both would require an intermediary to be the licensing monitoring operator for EGMs in the hotel and club network.

The shift to a new model that involves moving away from the current single operator model will also require a reform of the way that taxes and licence fees currently operate. The exclusive right held by Federal Group since 1973 has meant that a highly unusual and unbalanced approach has developed; while the total taxation may remain similar beyond 2023, the split between the various gaming activities will need reform. In particular, the EGM taxes and licence fees levied to casinos should be reviewed to bring them into line with other regional casinos in similarly populated regional cities in Australia. The Committee may look to places like Townsville and Cairns as a model, where regional casinos operate in similar sized cities alongside hotel and club EGM gaming.

Tasmanian harm minimisation measures are the most stringent in any Australian jurisdiction. Federal Group supports many of these measures, although a small number have a negative impact on Tasmanian casinos with little or no demonstrated benefit. Federal Group considers the Community Support Levy to have been a relatively effective way of disbursing funds from gaming activities back into effective programs and community organisations. However, the company would caution that the Levy needs to be used to fund activities in line with its original purpose, and not be used to fund programs more appropriately drawn from an existing departmental budget.

Federal Group notes that the removal of gaming licence exclusivity should also lead to a reconsideration of the terms and duration of future gaming licences. In addition to adjusting the current gaming tax and licence fee regime, the company contends that casino licences should move to very long-term durations, with a period of certainty about the number and type of licences. This is consistent with the practice throughout Australia, where it is only exclusive licences that are shorter term in duration and either perpetual or very long-term where exclusivity has been removed or did not exist.

Federal Group welcomes the opportunity to provide this submission to the Joint Select Committee. The company is very keen to continue to play a big part in the future of this industry and of Tasmania. We would welcome the opportunity to appear personally before the Committee to discuss this submission or any other related matters, or to provide further information as required.

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Appendix A



The Economic Contribution of Federal Group to Tasmania

A report for the Federal Group

December 2016

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Glossary

ABS	Australian Bureau of Statistics
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GSP	Gross State Product
GOS	Gross Operating Surplus
IO	Input Output
IVS	International Visitor Survey
NILS	No Interest Loan Scheme
NVS	National Visitor Survey
TRA	Tourism Research Australia
TAS	Tasmania

Executive summary

Deloitte Access Economics was commissioned by Federal Group to undertake an economic contribution study of the Federal Group's activities in the Tasmanian Economy. The Federal Group is Tasmania's largest private sector employer and plays an important role in the state's economy through its provision of hospitality, gaming, accommodation and logistic services.

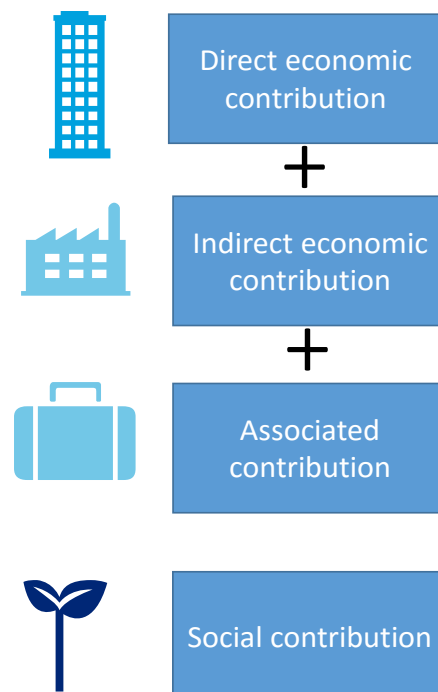
In addition to the revenue and 'valued added' it generates directly, the Federal Group also:

- buys supplies which generate flow-on impacts to suppliers
- facilitates tourist activity in Tasmania through the provision of tourist attractions and advertising
- supports numerous sporting, artistic, business, charity and community groups in Tasmania.

Economic contribution

In 2015-16, the direct economic contribution of Federal Group to the Tasmanian economy, as measured by its value added to the economy, was \$245.41 million. The indirect economic contribution of Federal Group was \$97.71 million. The largest contributor was the gaming division.

Combining the direct and indirect contribution gives total value added by the Federal Group of \$343.12 million in 2015-16. This represents 1.3% of the entire Tasmanian economy and 1.8% of the non-government sector.



Direct and indirect economic contribution of Federal Group, 2015-16

Business Area	Direct value added (\$m)	Indirect value added (\$m)	Total (\$m)
Accommodation	\$11.81	\$7.53	\$19.34
Hotels and Bottle shops	\$25.23	\$16.24	\$41.47
Gaming ¹	\$207.84	\$66.47	\$274.31
Transport	\$0.93	\$0.55	\$1.48
Other	-\$0.40	\$6.92	\$6.52
Total	\$245.41	\$97.71	\$343.12

Employment impact

The direct and indirect employment contribution of the Federal Group in Tasmania in 2015-16 totalled 2,337 full time equivalents (FTEs). This represents around 1% of all Tasmanian employment and 1.2% of private sector employment. This reflects direct employment of 1,325 FTEs in

¹ "Gaming" includes all of the revenue and expenditure associated with Wrest Point and Country Club including non-gambling functions such as food and beverage services and accommodation.

addition to indirect employment of 1,012 FTEs brought about by Federal Group's purchase of inputs.

Associated contribution

Federal Group's economic contribution extends beyond the direct and indirect value added created by the company. By providing tourist attractions and facilities for Tasmania, and through advertising, Federal Group encourages tourists to the state. The impact of this is difficult to measure; however, two separate components can be identified:

- the expenditure of guests who stay at Federal Group's accommodation on other (non-Federal Group) activities in Tasmania. We have estimated this expenditure at \$48 million
- additional tourist activity by individuals who (a) stay on in Tasmania after visiting Federal Group properties, or (b) are encouraged to visit Tasmania due to Federal Group's attractions and marketing. These impacts are more difficult to estimate, but are likely to be material to the Tasmanian economy. We have estimated this to provide a value-added impact of \$10.4 million.

Social contribution

In 2015-16 the Federal Group provided over \$1.8 million of support to over 100 organisations across the Tasmanian community.

Social contribution of the Federal Group, 2015-16

Type of organisation	Cash (\$,000)	In-Kind (\$, 000)	Both Cash and In-Kind (\$,000)	Total
Arts	72	0	60	132
Education	90	14	0	104
Charity/Social Support	117	141	73	331
Tourism and Industry Development	165	75	32	272
Sporting	69	249	66	384
Other/unclassified	72.5	78.5	439	590
Total	585.5	557.5	670	1,813

Note: The other/unclassified category includes a range of smaller donations and support (<\$3,000) to arts, education, charity/social, tourism and sporting entities.

While it is beyond the scope of this report to quantify the benefits of the \$1.8m contribution, they will include:

- greater social interaction and cohesion
- substantially improved quality of life, particularly via the activities of the Federal Group's charity and social partners
- increased educational and employment opportunities
- the development of the Tasmanian business community, through funding of a range of industry associations.

1 Introduction

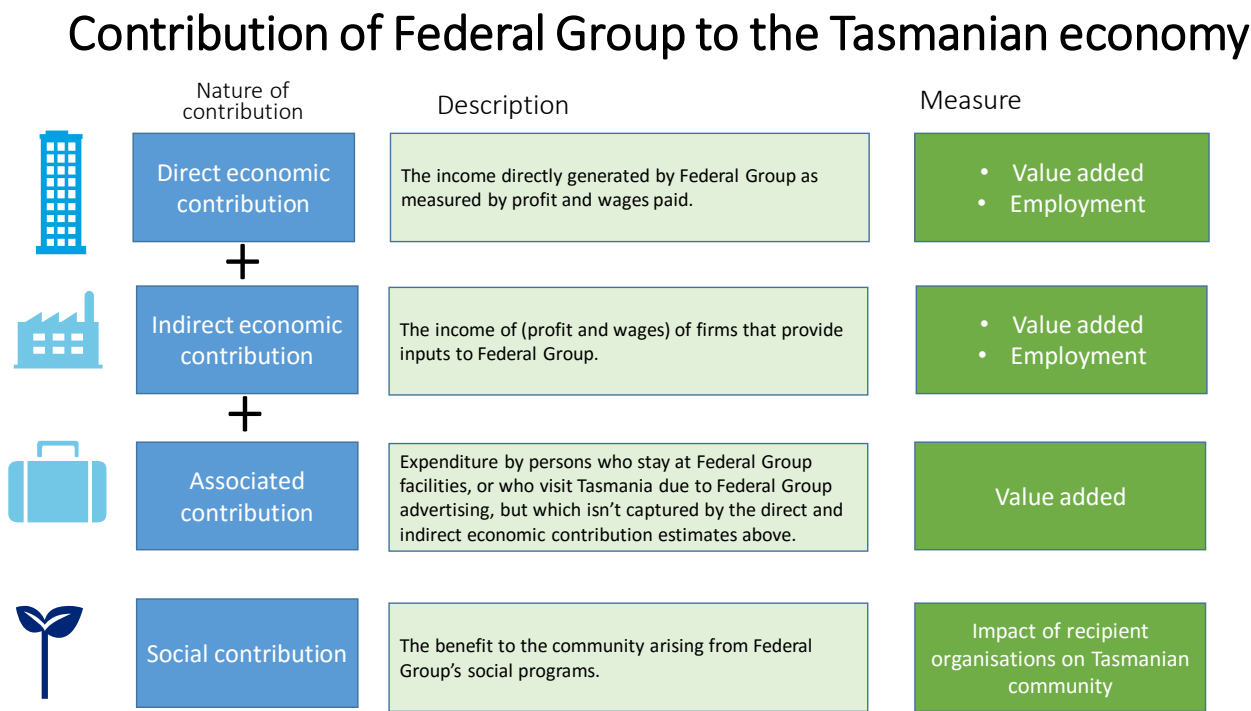
Deloitte Access Economics was commissioned by Federal Group to undertake an economic contribution study of the Group’s activities to the Tasmanian Economy. Federal Group is Tasmania’s largest private sector employer and plays an important role in the state’s economy through its provision of hospitality, gaming, accommodation and logistic services.

Federal Group’s economic impact, however, extends beyond the direct employment it generates and the hospitality and logistic services it provides. The Federal Group also:

- buys supplies which generate flow-on impacts to suppliers
- facilitates tourist activity in Tasmania through the provision of tourist attractions and advertisements aimed at tourists
- supports numerous sporting, artistic, business, charity and community groups in Tasmania.

The contribution of Federal Group can therefore be broken down into four separate categories:

Figure 1.1: Estimates of contribution of Federal Group



Drawing on a range of data and modelling techniques, this report estimates the size of these contributions. In particular, it estimates the direct and indirect value added and employment of Federal Group, the tourism expenditure associated with Federal Group and qualitatively discusses the Group's social contribution to Tasmania.

The estimates of the direct and indirect economic contribution, as well as the associated tourism contribution are based on Input-Output (IO) modelling techniques. The Australian Bureau of Statistics produce IO tables which provide the value added for each sector of the Australian economy, as well as the linkages between sectors. This allows the activities of Federal Group to be traced through the economy, and the value added created at each stage to be estimated.

This report is structured as set out below.

- Chapter 2 provides background to the report
- Chapter 3 provides the estimates of economic contribution at the national level
- Chapter 4 estimates the associated tourism contribution of the Federal Group's activities
- Chapter 5 present a study of the social contribution of Federal Group
- Technical details of the economic modelling are presented in Appendix A.

2 Background and approach

2.1 Federal Group

Federal Group is the oldest continually operating hotel group in Australia, having opened its first hotel in 1885 in Melbourne: the Federal Coffee Palace. In 1956 the Group entered the Tasmanian market and purchased the Wrest Point Riviera Hotel in Hobart. In 1968 a referendum was held in Tasmania on whether to grant a casino licence to Wrest Point Hotel (the first of its kind in Australia). At the time, Tasmania's tourism industry was highly seasonal and it was hoped that a casino would attract year-round visitors. A majority of Tasmanians voted for the casino and in 1973 Australia's first casino was opened at Wrest Point.

Since then the group has opened a number of prominent developments in Tasmania, including the Country Club Casino and Resort in 1982 near Launceston, and the Wrest Point Convention Centre in 1984. In 1993, the Group secured the rights to manage electronic gaming machines and Keno in Tasmania. In 1990, the Group established COPE Sensitive Freight and in 2006 purchased the 9/11 retail liquor business. In 2007, the company purchased the internationally acclaimed Henry Jones Art Hotel in Hobart and in 2010 opened Saffire Freycinet resort in the East Coast of Tasmania (Federal Group, 2016).

From 2000 Federal Group also acquired and developed a number of tourism properties and established the "Pure Tasmania" tourism brand. Pure Tasmania was promoted in key Tasmanian visitor markets interstate and overseas.

Pure Tasmania incorporated five separate destination resorts and experiences: Strahan Village, Freycinet Lodge, Cradle Mountain Chateau, Saffire Freycinet, and the Henry Jones Art Hotel. Each resort included a range of premium accommodation, dining and unique ways to experience the local area.

The brand was twice awarded as the best Tourism Marketing campaign in Australia at the National Tourism Awards (2005, 2009) and won the Tasmanian award in this category four times (2005, 2007, 2008, 2010).

With the sale of Federal Group's regional tourism businesses to the RACT (Strahan Village and Gordon River Cruises, Freycinet Lodge, Cradle Mountain Chateau) in 2014, the Group ceased using the Pure Tasmania brand.

Today Federal Group owns and operates a number of major businesses in Tasmania; it is most notably associated with casino, hotel, convention and entertainment complexes across the State, as well as bottle shops, freight and the management of gaming and Keno machines in Tasmania. Federal Group employs roughly 1,900 Tasmanians, is a key player in tourism brand promotion of Tasmania and is a significant contributor to the broader community.

The Federal Group has announced considerable future capital expenditure and investment outlays associated with both new properties (the MACq01 and Port Arthur hotel) and existing properties (a refurbishment of Wrest Point and the Launceston Country Club), which will provide further support to the local community, jobs and income.

2.2 Tourism in Tasmania

Tourism is a key industry in Tasmania. More Tasmanians are employed in the tourism industry as a proportion of total employment than any other Australian State or Territory (Tasmanian Government, 2015). Roughly 15,000 Tasmanians are directly employed in tourism jobs. In 2014 just over one million tourists visited Tasmania.

In 2015 the Tasmanian Government and the tourism industry (represented by the Tourism Industry Council Tasmania) jointly agreed the latest T21 tourism strategy. The strategy aimed to grow annual visitor numbers to Tasmania to 1.5 million by 2020 (Tasmanian Government, 2015).

To this end, over the year to September 2015, Tasmania boasted the fastest growth in international arrivals of any state (at 19%). Arrivals from Chinese tourists rose 40% during this time (Deloitte Access Economics, 2016).

3 The economic contribution of Federal Group to Tasmania

Economic contribution studies provide an estimate of the impact of a company on the economy at a particular point in time, both directly through the company's own operations, and indirectly as the impact of its activities filter through the economy.

Financial measures, such as revenue and cost of goods sold, are used to estimate a company's **direct contribution** to the economy. This direct contribution is calculated using the income approach to Gross Domestic Product (GDP) which sums returns to capital and returns to labour. Returns to capital are calculated through Gross Operating Surplus, and returns to labour through wages.

This approach is consistent with the framework used by the Australian Bureau of Statistics in compiling the *Australian National Accounts*.

In addition to this direct component, the demand for upstream inputs and further interlinkages with other sectors of the economy are modelled. This expenditure drives the **indirect contribution** to value added.

3.1 Methodology

3.1.1 Data provided by Federal Group

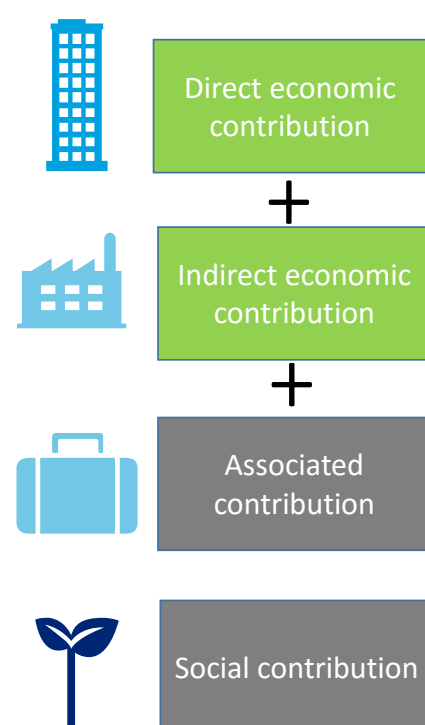
Federal Group provided Deloitte Access Economics with a detailed breakdown of the Group's revenue and expenditure in Tasmania for the 2015-16 financial year.

Expenditure was divided into five business areas: accommodation, hotels (pubs) and bottle shops, transport, gaming and other business areas.

"Gaming" encompass all of the activities of Network Gaming, Wrest Point and Country Club. This includes all of the activities within the casinos, encompassing non-gambling functions such as food and beverage and accommodation.

Consequently, to avoid double counting, "Accommodation" only includes the revenue and expenditure on Federal group accommodation that is not directly connected to a casino, such as Saffire Freycinet and Henry Jones Art Hotel.

Other business areas primarily provide back office support, including finance and non-business-area-specific sales and marketing, to the other areas of Federal Group.



Data on expenditure and revenue outside of Tasmania was also provided by Federal Group. This report, however, focuses exclusively on Tasmania and so does not use revenue or expenditure data from other states.

3.1.2 Methodology

As noted above, the economic contribution of the Federal Group for the financial year 2015-16 is split into direct and indirect components. The direct component is based on the value added measure, calculated by determining the returns to labour and the returns to capital, derived from Federal Group's financial data. Direct impact therefore measures the income that Federal Group directly produces for the Tasmanian economy (which accrues either to workers as wages or owners of capital as profit).

Direct contribution

While revenue is more commonly reported in financial accounts, value added provides a more accurate assessment of a company's contribution to the overall economy. This is because value added does not include the value that is created by upstream industries. The direct contribution therefore isolates the value created by Federal Group.

The returns to capital, or gross operating surplus (GOS), is determined by calculating the ongoing operational profit and operational costs, prior to the impacts of interest, tax, depreciation and amortisation. The returns to labour are calculated by aggregating compensation provided to employees either through wages or other employment benefits.

Indirect contribution

The second aspect involves measuring the flow-on contribution of the company's activities. The indirect contribution calculates the value added created by the industries that produce inputs for Federal Group. It is based on the profit and wages that are generated as a result of Federal Groups expenditure in these industries. Only expenditure that occurs in Tasmania is considered, with inputs purchased overseas or in other states excluded from the analysis.

When calculating the indirect contribution associated with the Hotels and Bottle Shops division, expenditure on alcohol for sale in the bottle shops was excluded, in line with the practice of excluding the wholesale cost of retail items.

3.2 Economic contribution results

3.2.1 Economic impact

In 2015-16, the direct economic contribution of Federal Group to the Tasmanian economy was \$245.41 million (Table 3.1 below). This contribution was predominately provided by the gaming division, followed by the Hotels and Bottle Shops, then Accommodation. Since 'Other Business Areas' is mainly provides internal support services for the customer-facing businesses, it has a minimal revenue stream resulting in a negative value add.

The indirect economic contribution of Federal Group was \$97.71 million. Again, this contribution was predominately provided by the gaming division, followed by the Hotels and Bottle Shops, then Accommodation.

The Economic Contribution of Federal Group to Tasmania

Combining the direct and indirect contribution gives total value added by Federal Group of \$343.12 million in 2015-16. This represents 1.3% of the Tasmanian economy and 1.8% of the non-government sector.

Table 3.1: Direct and indirect economic contribution of Federal Group, 2015-16

Business Area	Direct value added (\$m)	Indirect value added (\$m)	Total (\$m)
Accommodation	\$11.81	\$7.53	\$19.34
Hotels and Bottle shops	\$25.23	\$16.24	\$41.47
Gaming ²	\$207.84	\$66.47	\$274.31
Transport	\$0.93	\$0.55	\$1.48
Other	-\$0.40	\$6.92	\$6.52
Total	\$245.41	\$97.71	\$343.12

3.2.2 Employment impact

In 2015-16, Federal Group directly employed 1,325 full time equivalent (FTE) individuals in Tasmania (Table 3.2 below). This contribution was predominately provided by the gaming division, followed by the Hotels and Bottle Shops, then the Accommodation division.

In the same year, Federal Group's purchase of inputs supported the indirect employment of 1,012 FTE individuals in Tasmania.

Combining the direct and indirect employment contribution gives total FTE employment supported by Federal Group of 2,337 in 2015-16. This represents around 1% of all Tasmanian employment and 1.2% of private sector employment³.

Table 3.2: Direct and indirect employment (FTE) of Federal Group, 2015-16

Business Area	Direct FTE employment	Indirect FTE employment	Total FTE employment
Accommodation	138.6	94.2	232.9
Hotels and bottle shops	273.1	194.8	467.9

² As noted in section 3.1.1, "gaming" includes all of the revenue and expenditure associated with Wrest Point and Country Club including non-gambling functions such as food and beverage services and accommodation

³ Public sector employment figures are based on the 2014-15 financial year.

The Economic Contribution of Federal Group to Tasmania

Gaming ⁴	792.4	680.2	1,472.5
Transport	16.7	4.1	20.8
Other	104.4	38.3	142.7
Total	1,325.18	1,011.55	2,336.7

3.3 Federal Group's taxation contribution

Federal Group is a significant contributor to the Tasmanian government taxation revenues. Due to various gambling taxes, Federal Group pays more tax to the Tasmanian government than other companies of a similar size.

In 2015-16, Federal Group paid \$87.4 million in Tasmanian state government taxes, including land tax, stamp duty, payroll tax and gaming tax and licenses. This represents approximately 8.5% of all Tasmanian state tax revenue (Tasmanian Department of Treasury, 2016)⁵.

In the same year, the Group paid \$32.8 in Federal Government taxes, including company tax, GST and fringe benefit tax. A further \$2.1 million was paid to local government in the form of rates.

The payment of tax is reflected in the direct economic impact figures above.

⁴ As noted in section 3.1.1, "gaming" includes all of the revenue and expenditure associated with Wrest Point and Country Club including non-gambling functions such as food and beverage services and accommodation

⁵ This figure includes GST on gaming of \$21.4M, which, while distributed to the states as a grant, is levied by the Federal Government.

4 Associated tourism due to Federal Group

Federal group's economic contribution extends beyond the direct and indirect valued added created by the company. Through advertising and by providing tourist attractions and facilities, Federal Group encourages tourists to visit the state. This Chapter discusses tourist activity associated with Federal Group, and in particular:

- the expenditure of guests who stay at Federal Group's accommodation on other (non-Federal Group) activities in Tasmania. This will include:
 - non-accommodation expenditure by guests while staying at Federal Group facilities (discussed below in section 4.1), and
 - accommodation expenditure by guests who come to Tasmania to stay at Federal Group hotels, but who then spend additional time in other hotels (section 4.2)
- tourist activity by individuals encouraged to visit Tasmania due to Federal Group's marketing and promotions, but who do not actually visit Federal Group facilities (section 4.3).

4.1 Non-accommodation expenditure of visitors to Federal Group accommodation

4.1.1 Methodology

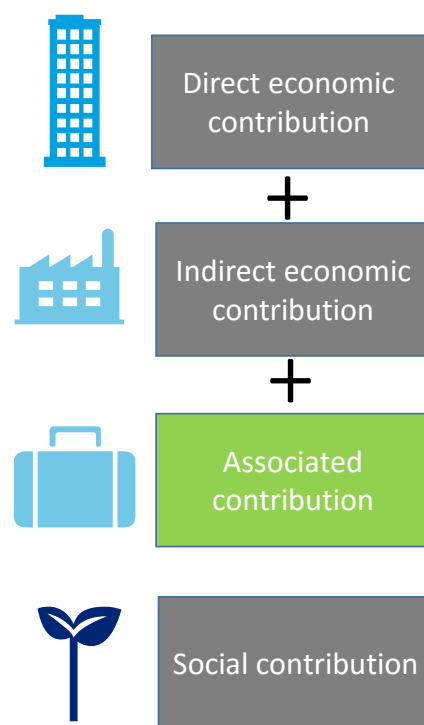
Federal Group operates a number of hotels including Wrest Point, Country Club, Saffire Freycinet, and the Henry Jones Art Hotel. In the 2015-16 financial year over 150,000 room nights were spent in Federal Group accommodation.

The Tasmanian Visitor Survey (Tourism Tasmania, 2016) provides a broad breakdown of total domestic tourist expenditure in Tasmanian between transport, accommodation and all other items. This data was used to estimate the ratio of non-accommodation spending to accommodation spending by Tasmanian interstate tourists.

Using International Visitor Survey data and National Visitor Survey data (TRA, 2016), it was possible to calculate the difference in the ratio of non-accommodation spending to accommodation spending by interstate and international tourists in Australia. This proportional difference was used to adjust the TVS ratio (which was for interstate tourists) for international tourists.

This ratio was applied to expenditure on Federal Group accommodation to estimate the total additional consumption expenditure that the average interstate and international guest undertakes in Tasmania besides accommodation.

When calculating the tourist impact associated with Federal Group's accommodation, guests from within Tasmania were not considered as their income is likely to have otherwise been used in Tasmania were it not spent on tourist activities.



Using International Visitor Survey data and National Visitor Survey data, Deloitte Access Economics created a representative expenditure bundle for high income international and interstate tourists who visited Tasmania. The TRA expenditure data is more granular than the Tasmanian Visitor Survey, allowing for a more detailed bundle.

Using these bundles, the non-accommodation expenditure of visitors to Federal Group accommodation was mapped to their respective Input-Output industries to estimate the flow-on impact of this spending. Expenditure on gaming was also excluded as this spending is likely to have been accrued to Federal Group.

4.1.2 Results

The results of this associated spending is shown in Table 4.1 below. In the 2015-16 financial year, guests staying in Federal Group's accommodation also spent on average an estimated \$28.7 million on other goods and services in Tasmania. This has a flow-on impact of \$19.7 million, providing a total expenditure impact of \$48.4 million.

Table 4.1: Additional non-accommodation expenditure of visitors to Federal Group accommodation

	Direct additional expenditure (\$m)	Indirect additional expenditure (\$m)	Total (\$m)
International	\$5.26	3.60	8.86
Interstate	\$23.47	16.06	39.53
Total	28.73	19.65	48.39

4.2 Additional time spent in Tasmania by Federal Group customers

Section 4.1 estimates the additional expenditure of Federal Group's guests while they are staying in the Group's accommodation. It is likely, however, that the accommodation and attractions provided by Federal Group could encourage individuals to spend further time in Tasmania at non-Federal Group locations.

4.2.1 Methodology

We have assumed that, due to their uniqueness within Tasmania, the Wrest Point Convention Centre and Saffire Freycinet resort in particular attract tourists to Tasmania who otherwise not have visited the state. This section estimates the additional time spent by visitors to these venues in other parts of Tasmania and the associated expenditure of this extra time.

Visitation attributable to Wrest Point convention centre

To estimate the additional visitation attributable to Wrest Point convention centre, first the number of interstate and international visitor trips to Tasmania due to conferences (including accompanying a conference attendee) was obtained from IVS and NVS data.

The average length of stay in Tasmanian of visitors who come to the state for a convention was compared to the average length of stay in Hobart of visitors who come for a convention. This provided the average additional time convention visitors spent in the rest of the state (time spent in Hobart

was assumed to be in a Federal Group venue and therefore was not counted).

To account for the fact that visitors may stay in other Federal Group accommodation options across State, this figure was halved, providing a more conservative estimate.

IVS and NVS data was used to estimate the average daily expenditure of interstate and international visitors to Tasmanian who stay in commercial accommodation.

This daily spend figure was combined with the estimate of the provided the average additional time convention visitors spent in the rest of the state to estimate the tourism contribution of the convention centre.

Visitation attributable to Saffire Freycinet resort

The estimation of additional visitation attributable to Saffire Freycinet followed a similar methodology to the estimation for the convention centre.

The number of visitors to the resort was provided by Federal Group. It was assumed that 60% of interstate and 80% of international visitors to the resort had travelled to Tasmania primarily due to Saffire Freycinet.

Using IVS and NVS data, we calculated the average length of stay of visitors to Triabunna-Bicheno within the region. This was compared to the average length of stay of visitors to Triabunna-Bicheno in the wider state. This gave the estimated additional time spent by visitors to Saffire Freycinet in the rest of Tasmania. It was conservatively assumed that half of this additional time was spent in Federal Group accommodation.

The IVS and NVS data was then used to estimate the average daily expenditure of interstate and international visitors to Tasmanian who stay in commercial accommodation.

This daily spend figure was combined with the estimate of the average additional time Saffire Freycinet visitors spent in the rest of the state to estimate the tourism contribution of the resort.

4.2.2 Results

Table 4.2 below shows the estimated economic impact by of additional time spent in Tasmania by visitors attracted to Federal Group's accommodation and venues. Guests visiting Tasmania to go to a convention or Saffire Freycinet conservatively spent an estimated additional \$6.2 million in the rest of the state away from the convention or the resort. This had a flow on effect of \$4.2 million, providing a total estimated impact of \$10.4 million.

Table 4.2: Economic contribution of additional time spent in Tasmania by Federal Group customers

		Direct (\$m)	Indirect (\$m)	Total (\$m)
Wrest Point Convention Centre	International	0.86	0.59	1.46
	Interstate	0.99	0.64	1.63
Saffire Freycinet	International	0.40	0.28	0.68
	Interstate	3.93	2.68	6.60
Total		6.19	4.19	10.37

4.3 Federal Group advertising effect

Federal Group spent approximately \$1.8 million on advertising and marketing outside Tasmania in 2015-16. While this expenditure would have focussed on Federal Group properties it is likely that some people would have been encouraged to visit Tasmania (and not attend a Federal Group property) who would not otherwise have done so.

Data from previous work undertaken by Deloitte Access Economics (2013) suggests that each \$1 of 'destination marketing' by Tasmania which was unmatched by other states would generate between \$6 and \$19 in GSP – that is a return on investment of between 1:6 and 1:19.

The GSP effect of those enticed to visit Tasmania and stay at Federal Group accommodation or use their attractions has already been captured in this report in chapters 3 and 4. However, the effect of individuals that were encouraged to visit Tasmania due to Federal Group's advertising and not attend a Federal Group property and who would not otherwise have done so, is additional to this.

This shows that even if the number of additional visitors drawn to Tasmania through the Federal Group's advertising is small, the returns to the State can be significant.

5 Social contribution of Federal Group

Federal Group also creates value through a range of direct and indirect contributions to the community. This includes direct financial support for local community organisations and sporting groups, charities, industry associations and other groups.

In addition to cash contributions, the Federal Group also provides in-kind support to these organisations. This in-kind support can include:

- Providing services such as printing, design and the preparation of reports and advertising material
- Making assets available for use - for example using Wrest Point facilities for the Point to Pinnacle and City to Casino running events, and providing venues for the Festival of Voices and Ten Days on the Island
- Providing prizes such as accommodation and dining packages to organisations to use for fundraising purposes.

The economic activity impact associated with social support provided to the community is part of the base direct economic contribution assessment discussed in Chapter 3. However, as with all social activities the Federal Group's contribution extends well beyond generating economic activity.

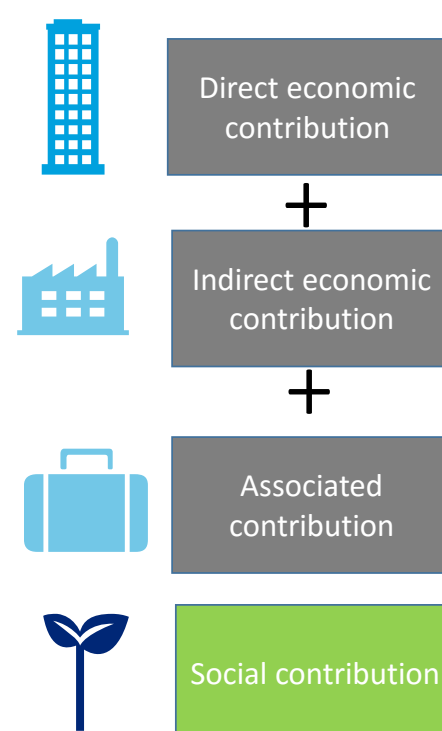
The social benefits generated by the Federal Group are therefore discussed below. In some cases we have provided an indication of the quantity of benefits that might be generated, based on publicly available work undertaken elsewhere by Deloitte Access Economics. Please note that this quantification is illustrative only and will not necessarily be applicable to the activities supported by the Federal Group.

5.1 Overview of contributions

For many years the Federal Group has been one of the largest providers of funds and in-kind support to the Tasmanian community. In 2015-16 the Federal Group provided over \$1.8 million of support to well over 100 organisations across the Tasmanian community. This support is summarised below.

Table 5.1: Social contribution of the Federal Group, 2015-16

Type of organisation	Cash (\$,000)	In-Kind (\$,000)	Both Cash and In-Kind (\$,000)	Total (\$,000)
Arts	72	0	60	132
Education	90	14	0	104
Charity/Social Support	117	141	73	331



Tourism and Industry Development	165	75	32	272
Sporting	69	249	66	384
Other/unclassified	72.5	78.5	439	590
Total	585.5	557.5	670	1813

Note: The other/unclassified category includes a range of smaller donations and support (<\$3,000) to arts, education, charity/social support, tourism and industry development and sporting organisations, as well as larger donations to entities that do not fit neatly into any of these categories.

In addition to the support provided by Federal Group to the Tasmanian community, the Farrell family Foundation provided an additional \$319,000 to Tasmanian and non-Tasmanian community groups in 2015-16. Please note that as this report focusses only on the activities of the Federal Group, these contributions are not reflected in the discussion below.

While some of the contributions provide a marketing and advertising benefit to Federal Group, a large proportion either provides no direct benefit, or has benefits to the Federal Group that are much less than the amount contributed.

5.2 Outcomes of contributions

Although the Federal Group provided \$1.8m in contributions to the community, the actual impact on community will be much greater than this. While it is beyond the scope of this report to quantify these benefits, the benefits include:

- Greater social interaction and cohesion
- Substantially improved quality of life, particularly via the activities of the Federal Group's charity and social partners
- Increased educational and employment opportunities
- Development of the Tasmanian business community, through funding of a range of industry associations
- Promotion of Tasmania as a tourist destination.

In-kind contributions provide community organisations with a platform to raise revenue and boost their profile. As an example, the Variety children's charity estimated that cash and in-kind contributions from Federal Group of \$108,000 in 2014-15 enabled it to generate revenue of \$290,990.

Some of these benefits are discussed below.

5.3 Sporting assistance

The Federal Group provided more than \$384,000 in support to a range of sporting organisations and activities in 2015-16. Recipients included relatively high profile entities such as AFL Tasmania as well as a number of much smaller organisations. Many recipients were football clubs.

In terms of the benefits of such assistance, and while research is clear that sport is not a magic bullet to 'cure all' social ills, participation in and through sport can help processes of belonging, trust and inclusion; and if managed correctly, sport can be an excellent medium for encouraging

awareness and valuable public debate on wider social issues (Oliver, 2014).⁶

For example, a study of community football clubs in Victoria identified that the return on value of community football clubs included increased social connectedness, community wellbeing, and personal mental and physical wellbeing of participants (La Trobe University, 2014). In addition, it identified employment outcomes, personal development, and civic pride in the community. The social return on investment was estimated to be \$4.40 return for every \$1 spent to run a club.

If replicated in Tasmania, this would suggest Federal Group's contribution to sporting organisations would have benefits in the range of \$1.5 to \$2 million per annum.

5.4 Tourism and industry development

The Federal Group is a significant contributor to a range of industry associations such as the Tasmanian Tourism Industry Council, Tasmanian Hospitality Association, Tasmanian Chamber of Commerce and Industry and the Property Council of Australia.

The contribution of the Federal Group to broader Tasmanian tourism is discussed in section 4.

5.5 Arts and Festivals

The Federal Group contributed more than \$132,000 to the Tasmanian arts community in 2015-16. Much of this support was in the form of smaller cash donations to local community organisations. For example, the Bay of Fires Art Prize, Tasmanian Theatre Awards, Glamorgan-Spring Bay Art, Junctions Arts Festival, Kickstart Arts and Artist in Residence Program each received cash grants of \$3000 to \$6000.

The Federal Group also supports some of the larger art events and festivals, including the Glover Prize (Federal Group is the principal supporter and has been since the beginning of the prize), Ten Days on the Island, the Festival of Voices and the Unconformity Festival.

The role of creative industries in supporting economic growth is recognised in the Commonwealth Government's paper *Creative Industries, a Strategy for 21st Century Australia*. The strategy notes the significant contribution of Australia's creative industries and states that "achieving a competitive creative industries sector is vital to Australia's prosperity" (Commonwealth Government, 2011).

From a Tasmanian perspective, in 2011 there were 5,796 Tasmanians who worked in a cultural industry for their main occupation (ABS Cat No. 6273.0, Employment in Culture, Australia, 2013). By way of comparison, this is more than the number of Tasmanians employed in 'electricity, gas, water and waste services', or 'administrative and support services' industries.

Importantly, improved sustainability of Tasmania's creative industries, including through greater employment opportunities, is likely to help stem the loss of Tasmanian residents and indeed promote migration to Tasmania, by those who work or would seek to work in these industries and more

⁶ as noted in *The Power of Sport – Building Social Bridges and Breaking Down Social Barriers*, Paul Oliver, Curtin University September 2014.

broadly by those who wish to be exposed to these offerings. Indeed flourishing creative industries are also posited to attract a 'creative class' of highly-educated and well paid professionals across a range of industries (Florida, 2002).

5.6 Charity and social support

The Federal Group contributes to a range of charities and social programs across the State. This support exceeded \$331,000 in 2015-16. Variety Tasmania is the largest recipient of support (see case study below) along with a large number of other charities including:

- NILS which provides interest free loans to individuals or families on low incomes
- Carers Tasmania, which supports the health, wellbeing, resilience and financial security of carers
- The Cancer Council
- Brave Foundation, which supports those experience teenage pregnancy and parenting.
- Mosaic, a disability support provider
- The Make-a-wish foundation, which grants wishes to children battling life-threatening illnesses
- Possability, which assists Tasmanians with a disability
- The Heart Foundation
- Save the Children
- The Perry Cross Foundation, which supports spinal research.

The benefits and positive outcomes provided by these charities are numerous and generally lead to substantially improved quality of life for those supported, with benefits including:

- Improving independence and reducing social isolation
- Building physical, social and intellectual skills
- Changes in quality of life through employment
- Avoidance of facility-based care
- Release of pressure on carers
- Reduced reliance on government services and financial support
- Increased workforce participation and productivity.

Although the value of these benefits is difficult to estimate, they are tangible and can in some cases be measured. For example, a recent Deloitte Access Economics study noted that informal carers provided an estimated 1.9 billion hours of care in 2015. If all hours of informal care provided in 2015 were replaced with services purchased from formal care providers, the replacement value of informal care would be \$60.3 billion (Deloitte Access Economics, 2015). This highlights the importance of the support provided to families and other carers of socially, mentally and physically disadvantaged provided by charities such as Carers Tasmania.

5.7 Education

In 2015-16 the Federal Group provided more than \$104,000 to educational organisations. Recipients included the University of Tasmania, the Beacon Foundation (which supports (typically disadvantaged) young people's transition from education to employment) and the 24 carrot school gardens program

The benefits of investing in education are well documented. For example, previous work by Deloitte Access Economics has identified that the economic benefits of programs that prevent early school leaving are around \$12 for every \$1 invested. In addition better health, increased life satisfaction and a reduced propensity to commit crime have also been identified.

5.8 Other assistance

The Federal Group is the principal sponsor of Crime Stoppers Tasmania and this has been the case since Crime Stoppers was established in Tasmanian 20 years ago.

Federal Group senior management are strongly encouraged to take a leading role in the community. Most are on the Board of at least one community organisation, and several members are on multiple entities.

A case study of the Federal Group's assistance to Variety, the children's charity is provided overleaf as an example of the importance of the Federal Group's work.



One of the many entities supported by the Federal Group is Variety, the children's charity. Variety supports children growing up with disability, serious illness or disadvantage.

Key outcomes from Variety's work include:

- Substantial improvements in quality of life for children, including greater mobility, educational opportunities and improved health outcomes
- Reducing the financial burden for families with affected children
- An easing of the burden on carers

Variety typically supports those children and families with the most acute needs and for whom other avenues of support are not available.

The Federal Group, along with the Farrell family, has supported Variety since it was established in 1990. It is by far the largest single supporter of Variety in Tasmania. In recognition of "*the commitment, contribution and generosity both in sponsorship and spirit*" Variety presented the Chairman's Citation to the Farrell family at the Variety Australia National Convention in Sydney in 2014. The Federal Group is Variety Tasmania's only designated Platinum Sponsor.

In the 2015-16 financial year the Federal Group provided \$73,000 in cash and \$43,000 in in-kind support to Variety. The Farrell family also separately provided additional support. This assists Variety in two key ways.

Firstly, the cash support directly provides around 15% of Variety's cash income. This offsets Variety's operational costs and contributes directly to its Grants Program. It enables Variety to deliver the equipment grants that are fundamental to Tasmanian children in need.

The in-kind support both assists Variety to reduce its own expenses, but more importantly, provides world class facilities to generate additional income. Some examples of the type and impact of in-kind support include the following:

- The Federal Group hosts the annual Chairman's luncheon at the Henry Jones hotel. This is one of Variety's top revenue raising events.
- The Federal Group provides professional design services to complete graphic design, preparation and printing of Annual Review, receipt books, invitations marketing, envelopes, road signs and gift cards
- Wrest Point hosts Variety's Monster Book Fair which has quickly grown to be the largest book fair in Tasmania, and which attracted approximately 3,000 visitors in 2015.

Net event revenue from functions supported by the Federal Group from November 2014 to October 2015 was \$290,990, representing over half of Variety's total income. In addition, the Federal Group's support provides unquantifiable and intangible benefits including social outcomes, volunteer time, brand engagement and marketing.

Importantly, the fact that Federal Group assistance is long-standing and ongoing allows Variety to plan and budget with confidence and helps to avoid the financial viability and sustainability issues that face other small charities.

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Appendix A: Economic Contribution modelling framework

Economic contribution studies are intended to quantify measures such as value added, exports, imports and employment associated with a given industry or firm, in a historical reference year. The economic contribution is a measure of the value of production by a firm or industry.

All direct, indirect and total contributions are reported as gross operating surplus (GOS), labour income, value added and employment (with these terms defined in 0).

Definitions of economic contribution estimates

Estimate	Definition
Gross operating surplus (GOS)	GOS represents the value of income generated by the entity's direct capital inputs, generally measured as the earnings before interest, tax, depreciation, and amortisation (EBITDA).
Labour income	Labour income is a subcomponent of value add. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.
Value added	Value added measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value added measure can be thought of as the increased contribution to welfare.
Employment (FTE)	Employment is a fundamentally different measure of activity to those above. It measures the number of workers (measured in full-time equivalent terms) that are employed by the entity, rather than the value of the workers' output.
Direct economic contribution	The direct economic contribution is a representation of the flow from labour and capital committed in the economic activity.
Indirect economic contribution	The indirect contribution is a measure of the demand for goods and services produced in other sectors as a result of demand generated by economic activity.

Total economic contribution The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Source: Deloitte Access Economics (2016)

Value added

The measures of economic activity provided by this contribution study are consistent with those provided by the Australian Bureau of Statistics. For example, value added is the contribution the sector makes to total factor income and gross domestic product (GDP).

There are a number of ways to measure GDP, including:

- expenditure approach – measures expenditure: of households, on investment, government and net exports; and
- income approach – measures the income in an economy by measuring the payments of wages and profits to workers and owners.

Below is a discussion measuring the value added by an industry using the income approach.

Measuring the economic contribution – income approach

There are several commonly used measures of economic activity, each of which describes a different aspect of an industry's economic contribution:

- Value added measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value added measure can be thought of as the increased contribution to welfare.

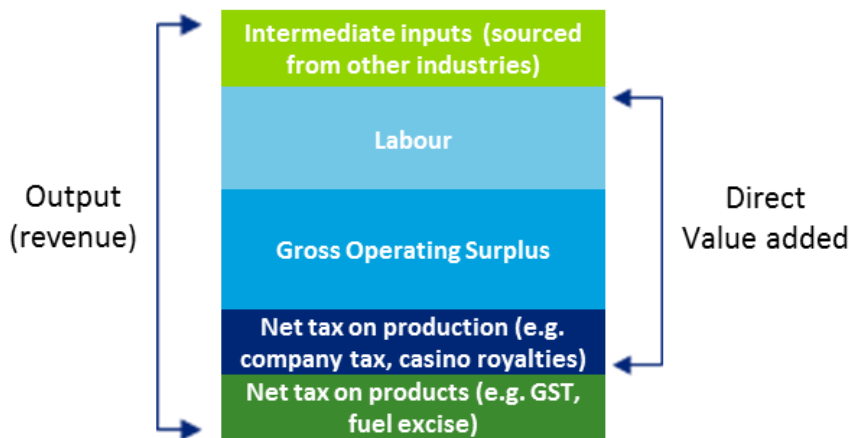
Value added is the sum of:

- Gross operating surplus (GOS) represents the value of income generated by the entity's capital inputs, generally measured as the earnings before interest, tax, depreciation and amortisation (EBITDA).
- Tax on production less subsidy provided for production. Note: given the manner in which returns to capital before tax are calculated, company tax is not included or this would double-count that tax. In addition it excludes goods and services tax, which is a tax on consumption (i.e. levied on households).
- Labour income is a subcomponent of value added. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.

Figure i shows the accounting framework used to evaluate economic activity, along with the components that make up output. Output is the sum of value added and the value of intermediate inputs used by the firm.

The value of intermediate inputs can also be calculated directly by summing up expenses related to non-primary factor inputs.

Figure i: Economic activity accounting framework



Source: Deloitte Access Economics.

Contribution studies generally outline employment generated by a sector. Employment is a fundamentally different measure of activity to those above. It measures the number of workers that are employed by the entity, rather than the value of the workers' output.

Direct and indirect contributions

The **direct** economic contribution is a representation of the flow from labour and capital in the company.

The **indirect** contribution is a measure of the demand for goods and services produced in other sectors as a result of demand generated by the direct economic activity of Federal Group. Estimation of the indirect economic contribution is undertaken in an input-output (IO) framework using Australian Bureau of Statistics IO tables which report the inputs and outputs of specific sectors of the economy (ABS 2013).

The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Other measures, such as total revenue or total exports are useful measures of economic activity, but these measures alone cannot account for the contribution made to GDP. Such measures overstate the contribution to value added because they include activity by external firms supplying inputs. In addition, they do not discount the inputs supplied from outside Australia.

Limitations of economic contribution studies

While describing the geographic origin of production inputs may be a guide to a firm's linkages with the local economy, it should be recognised that these are the type of normal industry linkages that characterise all economic activities.

Unless there is unused capacity in the economy (such as unemployed labour) there may not be a strong relationship between a firm's economic contribution as measured by value added (or other static aggregates) and the welfare or living standard of the community. The use of labour and capital by demand created from the industry comes at an opportunity cost

as it may reduce the amount of resources available to spend on other economic activities. This is not to say that the economic contribution, including employment, is not important. As stated by the Productivity Commission in the context of Australia's gambling industries⁷:

Value added trade and job creation arguments need to be considered in the context of the economy as a whole ... income from trade uses real resources, which could have been employed to generate benefits elsewhere. These arguments do not mean that jobs, trade and activity are unimportant in an economy. To the contrary they are critical to people's well-being. However, any particular industry's contribution to these benefits is much smaller than might at first be thought, because substitute industries could produce similar, though not equal gains.

In a fundamental sense, economic contribution studies are simply historical accounting exercises. No 'what-if', or counterfactual inferences – such as 'what would happen to living standards if the firm disappeared?' – should be drawn from them.

The analysis – as discussed in the report – relies on a national IO table modelling framework and there are some limitations to this modelling framework. The analysis assumes that goods and services provided to the sector are produced by factors of production that are located completely within the state or region defined and that income flows do not leak to other states.

The IO framework and the derivation of the multipliers also assume that the relevant economic activity takes place within an unconstrained environment. That is, an increase in economic activity in one area of the economy does not increase prices and subsequently crowd out economic activity in another area of the economy. As a result, the modelled total and indirect contribution can be regarded as an upper-bound estimate of the contribution made by the supply of intermediate inputs.

Similarly the IO framework does not account for further flow-on benefits as captured in a more dynamic modelling environment like a Computerised General Equilibrium (CGE) model.

Input-output analysis

Input-output tables are required to account for the intermediate flows between sectors. These tables measure the direct economic activity of every sector in the economy at the national level. Importantly, these tables allow intermediate inputs to be further broken down by source. These detailed intermediate flows can be used to derive the total change in economic activity associated with a given direct change in activity for a given sector.

A widely used measure of the spill-over of activity from one sector to another is captured by the ratio of the total to direct change in economic activity. The resulting estimate is typically referred to as 'the multiplier'. A multiplier greater than one implies some indirect activity, with higher

⁷ Productivity Commission (1999), *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, (page 4.19).

multipliers indicating relatively larger indirect and total activity flowing from a given level of direct activity.

The IO matrix used for Australia is derived from the ABS 2012-13 IO tables (2013). The industry classification used for IO tables is based on the Australian and New Zealand Standard Industrial Classification (ANZSIC), with 114 sectors in the modelling framework.

Limitation of our work

General use restriction

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Appendix B



Social and Economic Impact Study Report

The Federal Group

Prepared by:	Daniel Hanna
Title:	Corporate Affairs Director
Date:	May 2014

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Executive Summary

Federal Group Tasmania is a family owned company with a long and significant history in Tasmania as an investor and operator of tourism, hospitality, retail, sensitive freight, casino and gaming assets.

Federal Group developed and has continually operated Australia's first legal casino Wrest Point, located on the River Derwent in Sandy Bay. Since opening in 1973 the casino has had two major redevelopments and Federal Group is the longest running holder of a casino license in Australia.

Federal Group has grown its businesses in Tasmania since the establishment of Wrest Point to include:

- Country Club Resort and Villas - Federal Group developed and has continually operated the Country Club casino, located in parkland on the rural fringe of Launceston. The Country Club casino and resort was opened in 1982, and the adjacent Country Club Villas were subsequently acquired by the Federal Group.
- Vantage Hotels - Vantage Group operates 11 hotels which provide a combination of bar, gaming, bistro, accommodation and entertainment services. The hotels are all distinctively branded to better service the requirements of the local communities in which they are situated.
- 9/11 Bottleshops - In 2006, Federal Group purchased the 9/11 bottleshop retail liquor business. Since purchasing the business, Federal Group has developed six new outlets. The chain currently operates 15 retail liquor stores across the state, providing great product range, excellent service and product knowledge at convenient locations.
- Saffire Freycinet - Saffire, Federal Group's high-end property on Tasmania's East Coast, is located near the Freycinet National Park. The scenery is breathtaking and the organic architectural design takes its inspiration from these unique surroundings. Distinct in its design, exclusive in its features and set apart by its approach to individually tailored experiences and service, Saffire's approach is not constrained by traditional five-star ratings and standards, but instead sets a bold new direction for luxury accommodation in Australia.
- Henry Jones Art Hotel - The Henry Jones Art Hotel is located on Hobart's waterfront and is Australia's first dedicated art hotel. The hotel houses 56 rooms and suites all uniquely different and furnished with the hotel's history and contemporary art as the forefront of each space. The Henry Jones Art Hotel opened in 2004 and was purchased by Federal Group in 2007.
- Network Gaming – manages the network of gaming machines and TAS Keno in hotels and clubs throughout Tasmania.

As the state's largest private sector employer, Federal Group employs 1,792 staff throughout Tasmania. An additional 463 staff are employed nation-wide through our sensitive freight company, COPE Transport. The Tasmanian based employees of Federal Group are located in all regions of the state and represent different demographic groups.

Federal Group is a major supporter of Tasmanian sport, the arts and community sector. This support ranges from major investments through to smaller and more localised support. The company has a philosophy of providing significant support within the communities in which we operate.

Federal Group actively supports the use of Tasmanian produce and purchasing from local suppliers. In the last year, over 70% of expenditure across the group on goods and services (over \$151m) was made with local suppliers.

Federal Group is also a major taxpayer in Tasmania, paying almost \$120 million per annum in taxes to Federal, State and local governments.

Federal Group accepts, and indeed supports, the need for a tightly regulated environment of gambling products. Tasmania has had such an environment over many years and this has led to a well-managed sector and very low levels of problem gambling.

Federal Group has been a long term leader in bringing the industry together and discussing with regulators the best ways to ensure responsible gambling. Federal Group strongly supports the work of the Gamblers Help counselling organisations and works to promote their services wherever possible. The company has always strongly supported the Gambling Exclusion program and has actively supported the flow of information to venues about the program.

As the operator of Tasmania's two largest gaming venues, Wrest Point and Country Club Tasmania, Federal Group takes responsible gambling seriously. These two venues have policies and procedures for staff that outline their role in facilitating responsible gambling. Wrest Point and Country Club both have Responsible Gambling Managers in place to coordinate the dissemination of information, training of staff, and leadership of player protection activities.

The rate of problem gambling in Tasmania is low. This is often lost in the media and public debates on the issue. Gaming in Tasmania is already subject to some of the tightest regulatory controls in the country and this has no doubt contributed to the low incidence of problem gambling.

There are currently around 8.7 gaming machines per 1,000 adults in Tasmania. When the company last completed an SEIS submission in 2011, the density of machines per 1,000 adults was 9.4. There has therefore been a decline of between 7% and 8% in the density of EGMs in that period.

It is a similar picture when EGM spend per adult is assessed. In 2011, Tasmania had an average spend on EGMs per adult of \$553, placing it as the lowest in terms of states and territories with gaming machines in hotels and clubs. At that time, the expenditure on EGMs was \$215m per annum. In the 12 months to end March 2014, the total expenditure on EGMs was \$189.9m. The average spend on EGMs per adult has declined to \$471, a reduction of around 14.8% in just three years.

The first gaming machine venues opened for business in January 1997. At that time there were 55 venues and this increased to 109 by July 2001. However, since this time the number of gaming venues has gradually reduced and consolidated to the current number of 100 hotels and clubs. The last new gaming machine venue to be added was in May 2004 and there have been no further new venues since that time.

Federal Group is strongly supportive of the current social and economic impact study assessing the impact of existing harm minimisation measures and establishing a baseline for assessment of any new measures.

From the outset, Federal Group did not see the Mandatory Code of Practice as a necessary policy initiative. The pre-existing GIG Code of Practice had 100% support and commitment from the Tasmanian gambling industry; as well as being effective, rates of problem gambling remained low, and expenditure by Tasmanians on gambling and electronic gaming machines was flat. In essence, we considered the introduction of a Mandatory Code of Practice to be a solution in search of a problem.

The experience since the commencement of the Mandatory Code is that many of our most loyal and higher spending patrons have become frustrated with the new arrangements. A number of these patrons, especially those of high net worth who gamble at a consistently high level, have found alternative casinos to frequent. These casinos have fewer restrictions and are able to offer the types of rewards and benefits that used to be able to be offered in Tasmanian casinos; before the Mandatory Code.

Elements of the Mandatory Code have:

- Introduced new rules not applying to casinos in other jurisdictions
- Negatively impacted on the revenue and value of our company
- Negatively impacted on the experience of our regular patrons

- Negatively impacted on the experience of our interstate and international patrons
- Negatively impacted on employment levels at the casinos
- Negatively impacted on gambling taxes paid to the Tasmanian government
- Not delivered any additional harm minimisation or player protection into the system

Elements of the Mandatory Code have caused all of the above negative consequences and yet were outside of the consideration set of the TGC when introducing the Code.

The material impacts from the Mandatory Code have been substantial. There has been a major reduction in patronage at both casinos, resulting in a significant loss of revenue in both gambling and non-gambling areas.

The actual impacts are commercial in nature but have been outlined in the confidential section for use by the study researchers. However, the impacts have been broadly in line with those predicted prior to the implementation of the Mandatory Code and spelled out in submissions to the TGC (\$20m annual revenue reduction and 150 employment reduction).

As a result of the Mandatory Code of Practice, the company has experienced revenue reductions, increased costs, reduced employment, negative patron feedback and unintended consequences. These results have been bleak for the company and the wider economy, with no visible impact on problem gambling.

Section 1: Background, History Scope and Context

The Federal Group is a family owned company with a long and significant history in Tasmania as an investor and operator in tourism, hospitality, retail, sensitive freight, casino and gaming assets. As the state's largest private sector employer, Federal Group employs 1,792 staff throughout Tasmania. An additional 463 staff are employed nation-wide through our sensitive freight company, COPE Transport.

During the last two decades Federal Group has made massive investments in Tasmania. The company is now the largest private investor in Tasmanian tourism and the largest private promoter of Tasmania interstate and overseas. The company has received a very large number of awards at both state and national level for its various tourism assets, reflecting the commitment to deliver quality products and services.

Federal Group is highly committed to Tasmania and seeks every opportunity to support local businesses. The company is also a major supporter of charities, the arts, and sports in the state. It holds a strong philosophy of working closely with other businesses in the industry sectors in which it operates, demonstrated by the vast number and diversity of memberships that the company holds. Federal Group is also a significant taxpayer across a range of federal, state, and local taxes and charges.

1.1 Historical Context

The history of the company can be traced to Victoria – where a group of businessmen decided in June 1885 to form The Federal Coffee Palace Company. The grand opening of the Coffee Palace coincided with the commencement of Melbourne's Centennial Exhibition of 1888. The establishment was renamed the Hotel Federal in 1924 and went on to become the cornerstone of what is now The Federal Group – Australia's oldest hotel group and the second oldest in the world.

Over the next five decades, The Federal Group operated some of Australia's finest hotels including: the Menzies, Savoy Plaza, the Windsor and Hotel Australia in Melbourne, Lennons Hotels in Queensland and Hampton Court Hotel in Sydney. In 1947, the company purchased the Wrest Point Riviera Hotel in Hobart, Tasmania.

During the late 1960's The Federal Group initiated discussions with the Tasmanian Government about the prospect of granting a casino license to the Wrest Point Riviera Hotel. An important aim was to help to address the cyclical nature of Tasmanian tourism, through the establishment of a major (and in those days highly unique) tourism drawcard that would attract visitors to the State on a year round basis. This resulted in the Government passing the Wrest Point Casino License and Development (Referendum) Act in November 1968. In the subsequent referendum held on 22 November 1968, a majority of Tasmanians voted for the establishment of a Casino in

Hobart. The Wrest Point Casino License and Development Act of 1968 soon passed, providing a Casino License to Australian National Hotels Limited – a subsidiary of The Federal Group.

The Federal Group faced difficulties in raising the capital for the venture. However, in 1969, IPEC Holdings came to the rescue, acquiring a controlling interest. The Directors of IPEC Holdings shared the Federal Group vision and commenced raising capital to allow the project to proceed. Following the construction phase, the Wrest Point Hotel and Casino had its Gala Opening televised around Australia on 10 February 1973.

The establishment of the Wrest Point Casino had a massive impact on Tasmanian tourism, paving the way for new investment, more flights, restaurants, accommodation and an enhanced range of tourism experiences. The image of Wrest Point Casino became synonymous with Tasmania, reaching iconic levels of recognition within Australia.

In 1979, the Federal Group was successful in winning the tender to operate two casinos in the Northern Territory, located at Darwin and Alice Springs. The company leased a small hotel in Darwin called the Don Hotel, opening a temporary casino there while planning went ahead for a major tourism and casino development at Mindil Beach, Darwin.

Also in 1979, the Federal Group, together with a consortium consisting of The Examiner Northern Tasmania TV (ENT) Ltd and later Jennings Industries Ltd were successful in securing a second casino license for the Northern part of Tasmania. In 1982, the Federal Group opened the Launceston Country Club Casino and the Alice Springs Casino. The rapid expansion of the Federal Group continued with the opening of the Mindil Beach Casino in 1983.

In 1984, Federal Group signed a management agreement (later converted to a lease) to run the Menzies at Rialto Hotel in Collins Street, Melbourne. The year also saw the opening of Australia's first multi- purpose Conference and Entertainment Centre at Wrest Point – built at a cost of over \$20 million. The Federal Group also acquired full ownership of the Country Club Casino by buying out the rights of ENT Ltd.

In 1988, Federal Group acquired the lease of the Ansett International Hotel in Perth (Renamed Perth International), and opened their first international hotel, the Chateau at Scotts Hotel, Singapore.

Meanwhile, with regards to the company structure, in 1983 the IPEC Holdings Group was essentially dissolved. 50% of the IPEC Transport Group was sold to Mayne Nickless, which meant that the remaining major assets of the company were the

Federal Hotels Group and 50% of the IPEC Transport Group (which was subsequently sold to Mayne Nickless in 1988).

By 1989, the Farrell family had over 50% of the publicly listed stock of the Federal Hotel Group. In 1990 the company was privatized. An important principle behind the privatisation plan was to divest the company of its non-core assets and focus on the Tasmanian businesses.

In 1993, Federal Group secured the rights to manage electronic gaming machines and Keno throughout Tasmania.

From 2000, the company began assessing parts of the state which they believed had the potential for tourism growth. This led to the acquisition and development of a number of properties. The company also began to identify opportunities in the hotel and retail liquor sectors, leading to a number of acquisitions under the Vantage Hotel Group and 9/11 retail liquor brands.

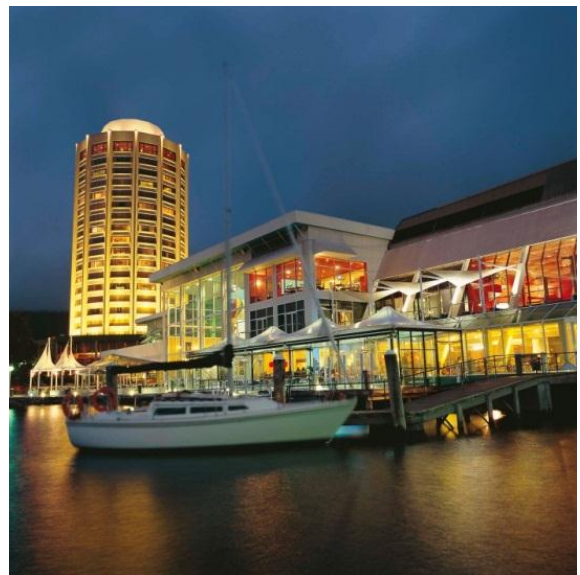
1.2 Scope of Federal Group

Federal Group now has an extensive scope and is a very significant investor and operator in the tourism, hospitality, retail, casino and gaming sectors. Federal Group is an integrated company where casinos and gaming operations have underpinned a range of investments in hospitality and tourism. Below is a summary of the scope of Federal Group investments and operations in these sectors.

Wrest Point

Federal Group developed and has continually operated Australia's first legal casino Wrest Point, located on the River Derwent in Sandy Bay.

Since opening in 1973 the casino has had two major redevelopments: the building of Australia's first multi- purpose Conference and Entertainment Centre in 1984, and a boardwalk precinct which was opened in 1996. Federal Group is the longest running holder of a casino license in Australia.



Wrest Point has a range of services that include:

Accommodation

The hotel offers the choice of over 250 rooms in three different standards:

- Wrest Point Tower – rooms at 4.5 and 5 star standard
- Wrest Point Water Edge – rooms at 4 star standard
- Wrest Point Mountain Side – rooms at 3.5 star standard
- Guest Services including a health club and pool, mini golf, tennis and valet parking

Dining options

- The Point Revolving Restaurant – premium dining
- Pier One – modern Australian
- Coffee Shop – buffet
- The Loft – casual bistro
- Riverview Snacks – indoor/outdoor café
- Casual, lounge and entertainment bars

Entertainment

The following shows are among those on sale over the coming months:

- Tina Arena RESET TOUR 2014
- Rick Springfield in Concert
- Dave Hughes | Pointless
- Dennis Locorriere | Dr Hook and Beyond
- The Glenn Miller Orchestra
- The Angels 40th Anniversary Tour
- RUFUS – Worlds Within Worlds Tour
- Tim Campbell | High School Disco Live
- Soweto Gospel Choir
- Dan Sultan with Special Guests STONEFIELD and Way of the Eagle (DJ Set)
- Kevin Bloody Wilson | First of the Final Farewell Tours...Perhaps!
- John Waters | Looking Through A Glass Onion | Up Close and Personal
- APIA Good Times Tour Rocks On: Featuring music legends Joe Camilleri, Richard Clapton, Russell Morris and Leo Sayer



Conference, Meeting and Event Facilities

Wrest Point has the facilities to cater for everything ranging from small meetings to large events for up to 1,600 guests.

Gaming

A range of gaming options are available, including: Blackjack, Pontoon, Roulette, Rapid Roulette, Texas Hold 'em Poker, Money Wheel, Baccarat and Gaming Machines.

Country Club Resort and Villas

Federal Group developed and has continually operated the Country Club casino, located in parkland on the rural fringe of Launceston. The Country Club casino and resort was opened in 1982, and the adjacent Country Club Villas were subsequently acquired by the Federal Group some years later.

Country Club Resort and Villas has a range of services that include:

Accommodation

The resort offers a choice of over 200 rooms in two standards:

- Country Club Resort – rooms and suites at 4.5 and 5 star standard
- Country Club Villas – 1, 2 and 3 bedroom self-contained villas at 4 star standard



Guest Services including: health centre and pool, 18 hole championship golf course and driving range, tennis courts, squash court, trout fishing, horse riding and valet parking.

Dining options

- Terrace Restaurant – premium dining
- Links Restaurant – all day café and buffet
- Watergarden Dining – casual dining
- Bolters – pizzeria
- Villa Italiana – family Italian restaurant
- Casual, lounge and entertainment bars

Entertainment

The following shows are among those on sale over the coming months:

- APIA Good Times Tour Rocks On: Featuring music legends Joe Camilleri, Richard Clapton, Russell Morris and Leo Sayer
- The Angels 40th Anniversary Tour
- Buddy The Concert - Scott 'Buddy' Cameron's 10th Anniversary Tour
- Dan Sultan with Special Guests STONEFIELD and Way of the Eagle (DJ Set)
- Kevin Bloody Wilson | First of the Final Farewell Tours...Perhaps!
- John Waters | Looking Through A Glass Onion | Up Close and Personal
- Johnny Cash The Concert - Golden Greats of The Man In Black

Conference, Meeting and Event Facilities:

Country Club has the facilities to cater for everything ranging from small meetings to events for up to 475 guests.



Pictured above: Mount Pleasant Room

Gaming

A range of gaming options are available, including: Blackjack, Pontoon, Roulette, Rapid Roulette, Texas Hold 'em Poker, Money Wheel, Baccarat and Gaming Machines.

Vantage Group

The Vantage Hotel Group (Vantage Group) was established in 1999 to operate freehold hotels purchased by the Federal Group. It operates across Tasmania through community-based hotels and the 9/11 Bottleshop retail liquor chain.

Hotels

Vantage Group operates 11 hotels which provide a combination of bar, gaming, bistro, accommodation and entertainment services. The hotels are all distinctively branded to better service the requirements of the local communities in which they are situated.

The 11 hotels are as follows:

- Brooker Inn, Lutana – purchased in 2006
- Claremont Hotel, Claremont – purchased in 2000
- Derwent Tavern, Bridgewater – purchased in 2005
- Elwick Hotel, Glenorchy – purchased in 2006
- Furners Hotel, Ulverstone – purchased in 2010
- Hotel Federal, Wynyard – purchased in 1999
- Hotel Tasmania, Launceston – purchased in 1999
- Hotel Valern, Moonah – purchased in 2006
- Mackey's Royal Hotel, Latrobe – purchased in 2010
- Molly Malone's, Devonport – purchased in 2002
- Waterfront Hotel, Bellerive – purchased in 1999

Snapshot of Vantage Group

140 beer taps, 330 gaming machines and 63 guest lodgings...

Our kitchens are also kept busy with over 5,000 covers every week.

9/11 Bottleshops



In 2006, Federal Group purchased the 9/11 bottleshop retail liquor business. Since purchasing the business, Federal Group has developed six new outlets. The chain currently operates 15 retail liquor stores across the state, providing great

product range, excellent service and product knowledge at convenient locations.

The 9/11 brand represents a convenient retail liquor offer to Tasmanian consumers. Each store has a unique look and feel but shares a common focus on creating a professional store environment with friendly and helpful staff. Each store stocks well-known brands across all categories with a strong focus on local products.

The 15 stores are as follows:

- Brooker Inn – Lutana
- Claremont Hotel – Claremont
- Derwent Tavern – Bridgewater
- Elwick Hotel – Glenorchy
- Furners Hotel – Ulverstone
- Gasworks Cellar Door – Hobart City (opened in 2012)
- Hotel Valern – Moonah
- Kingston Plaza – Kingston (opened in 2008)
- Launceston City (opened in 2010)
- Mackey's Royal Hotel – Latrobe
- New Town Plaza – New Town (opened in 2013)
- Shoreline Plaza – Howrah (opened in 2010)
- Sorell Plaza – Sorell (opened in 2010)
- St Ives – Sandy Bay
- Waterfront Hotel – Bellerive

Map depicting the geographical spread of the Vantage Group hotels and 9/11 bottleshops:



HR Major Awards

Vantage Hotel Group received the Employer of Choice award in 2012. Employers of Choice are recognised by the Tasmanian Government for demonstrating contemporary workplace practices and outstanding support for their staff. They were also awarded runner up in the Employer of the Year category in 2013 of the Tasmanian State Training Awards.

Training and Qualification

- 300 staff progressing through funded skill set opportunities for accredited training in hospitality and retail.
- 32 Retail staff undertaking the internationally recognised Wine Spirit Education Trust certification in conjunction with a nationally recognised Sommelier certification.
- Continuing Education of Chefs in Mentoring Skills and Patisserie.
- Personalised one on one coaching aimed at developing future leaders.
- Development of Duty Managers through quarterly forums.
- WHS safety leadership (including awareness of mental health issues).

Gasworks Cellar Door Experience

The strong focus upon local produce is best exemplified at the Gasworks Cellar Door, located in the heart of Hobart's colourful dock precinct. The exclusively Tasmanian wine experience at the Gasworks Cellar Door Experience is a great way to introduce guests to the wonderful cool-climate wines of the state and give them a background on some of the characters who have shaped the island's wine-growing heritage. Our highly knowledgeable wine experts discuss in detail the grapes grown in Tasmania and the places in which they are grown.

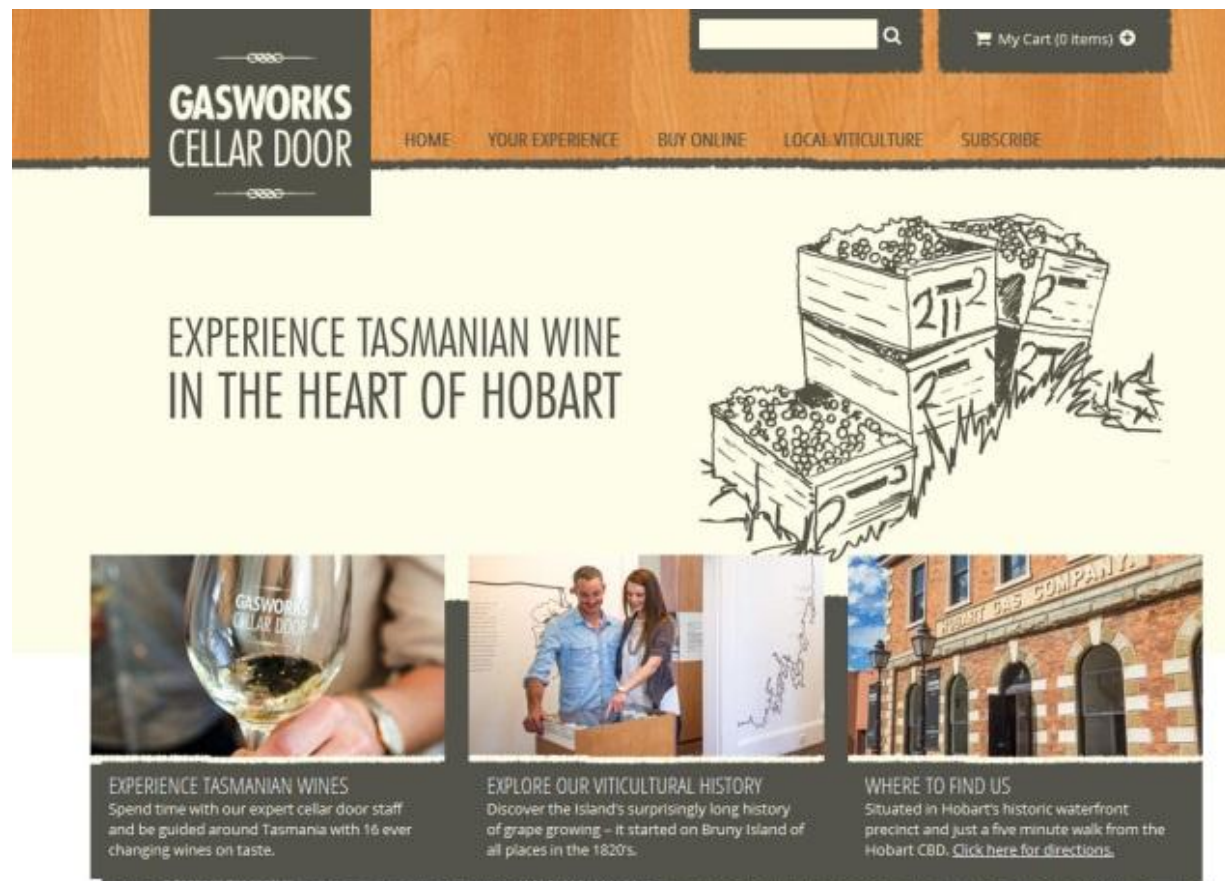
With 16 Tasmanian wines always on tasting, an expert on hand to guide you through the ever-changing labels, a stylish interior design, and fascinating information about the island's wines and history – this is no ordinary tasting experience.

How it works: Our wine expert will introduce each wine in detail, talking about the region, the climate and the winemaking techniques that create each one's special character. To taste one's way around the Cellar Door, a tasting card can be purchased for \$10. There are three cards which provide guests with the option of:

- 12 wines (25ml each)
- 6 wines (50ml each)
- 3 wines (100ml each)

The 12-wine card gives guests the widest options to taste different styles and vintages, while the 3-wines card allows them to savour a more substantial portion of a trio of choice. The tastings add up to a total of three standard drinks.

Vantage Group has also launched an exciting new development in retailing Tasmanian wine online – www.gasworkscellardoor.com.au. The website acts as both a medium to promote the Gasworks Cellar Door Experience and for people to be able to access a huge range of Tasmanian wine online. There are over 300 wines listed from 80+ local vineyards. The range has also been expanded to include some of Tasmania's finest spirits.



Pictured above: Homepage of the Gasworks Cellar Door website

Saffire

Saffire, Federal Group's high-end property on Tasmania's East Coast, is located near the Freycinet National Park, overlooking the iconic mountains – The Hazards. The scenery is breathtaking and the organic architectural design takes its inspiration from these unique surroundings. The mountain range is framed in the main building's roof line – so that guests are greeted by the landscape as soon as they enter the hotel and thereby cannot for a moment mistake where they are in the world.

Distinct in its design, exclusive in its features and set apart by its approach to individually tailored experiences and service, Saffire's approach is not constrained by traditional five-star ratings and standards, but instead sets a bold new direction for luxury accommodation in Australia.



Pictured above: Aerial photograph of Saffire

Architecture

The architectural design for Saffire did not come easily – designing a hotel like no other is a big task and took a lot of time and had many revisions. Hundreds of designs were pitched before inspiration finally hit with a scribbled line drawn on a notepad during a meeting. Funnily enough, it was this one little scribble which captured the desire to design a property that was an extension of the landscape.

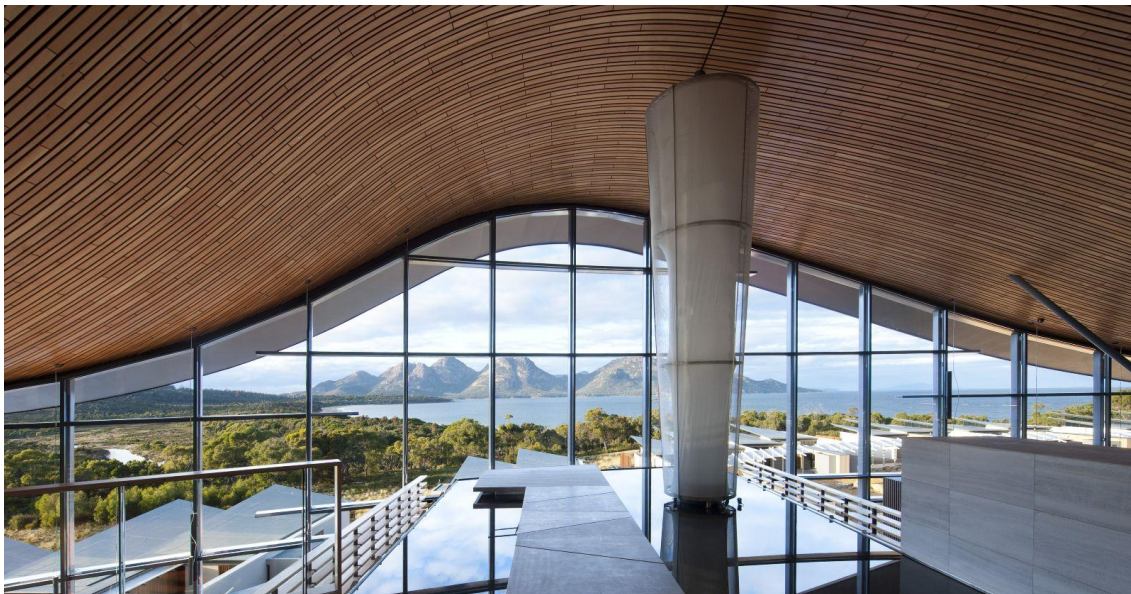
The site context played a huge role in influencing the design brief – with both the architects and interior designers. Federal Group was very clear in their vision to build a property that complemented the spectacular surroundings rather than

overwhelmed them. They didn't want hard lines or square structures – but rather, design which was organic and flowed naturally.

The property has been designed to consistently draw the eye to the view and create a connection to place. Aerial photographs of the property bring this desire to blend with the natural surroundings into sharp focus - the entire structure evokes a strong connection to the sea. The main building resembles a mantra-ray and the suites below present like little upturned dinghies on the beach.

Designed by award-winning Tasmanian architects Morris Nunn and Associates (now Circa), the buildings are conceptually organic, reflecting the surrounding environment. Saffire evokes a connection to the sea, through references of waves, sea creatures, sand dunes and a flowing, organic form. The design of Saffire is distinctly unique and recognisable, just like its location.

The roof is made from curved Tasmanian wood beams, built in a ribbed structure with ply overlay which forms a smooth underlay for the Polyme membrane. Although complex in concept, the build and look of the roof present a very simple view without dominating the entire structure. The glass used has a very low percentage of reflectivity, allowing for maximum impact when viewing the surrounding coastal beauty both during the day and at night.



Pictured above: Roofline view at the main entrance of Saffire

Interior Design

The interior design is guided by the colours of the peninsula – the pink granite of the mountains – the white sandy beaches – sapphire-blue water and the grey-green of the native bushland. Timber – stone – and leather are used throughout the property to encourage a tactile experience. The aim was to connect the Saffire experience to the surrounding environment, seamlessly joining the outside with inside to create a relaxing and rejuvenating retreat. The furnishings don't compete – but rather, harmonise with the surrounding environment.

Part of the initial design brief was to emphasise luxury – whilst still allowing guests to feel comfortable enough to use the personal and shared spaces informally. Federal Group wanted it to feel like a luxurious beach house – with 'found objects' such as pieces of driftwood sitting side by side with eclectic designer furniture. The Interior Design Company Chhada Siembieda executed this brilliantly.

Suites

Saffire has 20 accommodation suites, each with commanding views of Great Oyster Bay and the Hazards Mountains. Each of the luxuriously appointed suites has been designed to maintain utmost privacy while taking in the views and natural light. Inside guests are greeted with the highest quality in finishes with an eclectic mix of classic and contemporary furnishings.

Saffire's use of timber, stone and leather encourages an authentic, tactile experience, bringing the beauty and depth of nature into all facets of this exclusive property. Where possible quality Tasmanian products and designers have been used to create a unique sanctuary that is soothing and healing, bringing an overall feeling of wellness and calm.



Pictured above: Interior of one of the suites

Sustainability and Community

The East Coast of Tasmania is an isolated area. In designing the property Federal Group had to be careful to adhere to principles of environmental sustainability. Award-winning Tasmanian architects Morris Nunn and Associates (Circa) were chosen specifically for the sensitive manner in which they approach their projects.

The original Saffire site was a caravan park and backpacker's accommodation. It had suffered significant degradation and erosion. So a great deal of time was spent re-vegetating the area with native plants to encourage a return to its natural form. Also, the water supply to the township was limited. Federal Group worked with the local council to share the costs of building new dams and a water supply system. Essentially, the development has drought-proofed the town into the future and created jobs for its residents. These early steps were vital to gaining acceptance by the local community.

Palate Restaurant

Tasmania's freshest produce and finest wines and beers are showcased in Palate Restaurant. Multi-course degustation menus matched with the outstanding local wines are a specialty, with menus designed around what is fresh out of the water or the paddock on any given day. Alternatively guests can consult the chef for a masterful interpretation of their favourite dish or choose from the a la carte menu. The restaurant specialises in tailoring dining experiences to suit all guests.

Palate Restaurant was recently awarded a Culinary Excellence accolade at the Boutique Hotel Awards in London. This was a very rewarding achievement as the restaurant prides itself on showcasing the best Tasmania has to offer.



Saffire's Recent Awards and Accolades:

Luxury Magazine Gold Awards: Best Unique Accommodation 2014
Australian Traveller: #5 Holiday Destination in Australia 2014
Australian Traveller: Best Luxe Hotel in Australia 2013
AHA: Best Resort Style Accommodation in Australia 2013
World Boutique Hotel Awards: Best Gastronomic Boutique Hotel 2013
Australian Spa Association: Best Hotel Spa in Australia 2013
THA Awards for Excellence: Best Luxury Accommodation in TAS 2013
THA Awards for Excellence: Best Fine Dining Restaurant in TAS 2013
TICT Awards: Best Luxury Accommodation 2013 (inducted into Hall of Fame)



Henry Jones Art Hotel

The Henry Jones Art Hotel is located on Hobart's waterfront and is Australia's first dedicated art hotel. The site in which it is located dates back to 1804 and the former jam factory has been transformed into an enthralling first class hotel designed by award-winning architects, Morris-Nunn & Associates (now Circa).

The hotel is furnished with over 300 artworks and presents an environment in which people can experience art in a new and more immediate way. With a continuously changing exhibition, the hotel has been created to present itself as a fusion of art, heritage, tradition and nature. Exterior and interior space present art as part of the Hotel's function and beauty.

The hotel houses 56 rooms and suites all uniquely different and furnished with the hotel's history and contemporary art as the forefront of each space. The restaurants and bars highlight the best of Tasmania's fine food and beverage produce for a truly unique experience.

The Henry Jones Art Hotel opened in 2004 and was purchased by Federal Group in 2007. The hotel has won a number of awards for design, accommodation, food / beverage and service since opening its doors.



Pictured above: Exterior photo of Henry Jones on Hobart's waterfront

Who is Henry Jones?



Henry Jones was born on the 19th of July 1862. His parents John and Emma were immigrants from England answering the call of immigration from the British Isles in the late 1850s. At the age of 12 Henry Jones started work for George Peacock his first and only employer. Working six days a week, ten hours a day Henry Jones pasted labels on jam tins. At the age of 27, he purchased a share of the factory and then from these humble beginnings, rose to fame as an entrepreneur spanning five continents with interests in jam, fruit, timber, mining and shipping.

All this originated in these buildings now comprising the Henry Jones Art Hotel. Henry Jones and Co's company motto 'IXL' dates from about 1895 and, it is said, derived from Henry's own quote "I excel, in all the products I make". As a brand name this motto was an inspired choice soon forming part of Tasmanian and Australian folklore. It became instantly recognisable with the man, his factories and his products. He was the largest private employer in Tasmania and at the time, the head of the largest private company in the world exporting jam to countries throughout the world. With this and his contribution to commerce and military efforts, he was the first Tasmanian to be knighted.

Henry Jones died in 1926 and over 5,000 mourners came to his funeral. It seems fitting that within his own buildings and, at the same time, recognising the importance of his foresight and entrepreneurship - that this Hotel should carry his name.

Dining options

The Henry Jones Art Hotel has a range of food and beverage options including:

- Henry's – the signature Restaurant for The Henry Jones Art Hotel. Here guests can enjoy an exceptional menu, offering refreshing takes on classic signature dishes and modern evolutions, all created from renowned local produce.
- Jam Packed Café – located in the IXL Atrium overlooking Hobart's waterfront. Features a café style menu packed full of Tasmania's specialties highlighting the islands regional produce.
- The IXL Long Bar is commonly regarded as Hobart's "meeting place". It is the cocktail and music connoisseur's destination.



Art and History

The Henry Jones, Australia's first Art Hotel, features original contemporary artworks by emerging and established Tasmanian artists. Artists represented are graduates from the Tasmanian College of the Arts, independent artists and artists represented by some of Hobart's leading commercial galleries.

Original paintings, prints, works on paper, photomedia, sculpture and design objects feature throughout the Hotel. Most of the artworks are for sale and are exhibited in the Hotel's public areas, The Studio Lounge, The Art Installation Suite, Henry's Restaurant, IXL Long Bar, Jam Packed and in all accommodation rooms and suites. From time to time special exhibitions are presented in The Studio Lounge, Art Installation Suite and IXL Atrium.



Images, prices, artist and sales information of current artworks are listed in the Art Catalogue, which is available for viewing at reception or online.

The Henry Jones signature Art and History Tour operates on Fridays at 5pm. The tour weaves throughout the hotel covering the hotel's rich history and current works of art. With an Art Curator and over 300 pieces of art located throughout the building, guests can enjoy and experience a variety of works located all through the hotel's public spaces, corridors and rooms. The Hotel can also offer private art tours with their Art Curator on request.

The Henry Jones also offers history tours of the hotel and Hobart city. Guests can hear all of the colourful stories of Sir Henry Jones and the Henry Jones & Co Jam Factory. The tour also provides a rich exploration of Hobart's past from the first days in 1804 through to today.

Other Business Units of the Federal Group

Federal Group also has a range of other business units. These include:

- Network Gaming – manages the network of gaming machines and TAS Keno in hotels and clubs throughout Tasmania.
- Technology Services Group – manages the multiple and complex technology requirements across the company.

1.3 Federal Group Workforce

Federal Group is Tasmania's largest private sector employer. The company currently has 1,792 employees throughout Tasmania. A further 463 people are employed across the country through our national sensitive freight company, COPE Transport. The Tasmanian based employees of Federal Group are located in all regions of the state and represent different demographic groups.

Federal Group employees are also drawn from a range of different age groups, from young people starting their career through to mature workers. The age profile of Federal Group employees is as follows:

- Less than 20 years – 74 employees
- 20-30 years – 541 employees
- 30-40 years – 410 employees
- 40-50 years – 341 employees
- 50-60 years – 312 employees
- Over 60 years – 114 employees

Federal Group also has staff with various lengths of service for the company. The company provides many job opportunities each year as well as building a culture where people get strong job and career opportunities and stay with the company for many years. The company has a number of employees with over 40 years of service with the company, these employees joined the company as Wrest Point was opening and have stayed through their working lives.

The length of service of Federal Group employees is as follows:

- Less than 5 years - 390
- 1 to 5 years – 1033 employees
- 5 to 10 years – 356 employees
- 10 to 15 years – 161 employees
- 15 to 20 years – 92 employees
- 20 to 25 years – 63 employees
- 25 to 30 years – 55 employees
- 30 to 45 years – 32 employees

As can be seen from above, over 390 employees have been given job opportunities in the last 12 months. This allows Tasmanians to either start or continue their careers in the state. As the major private sector employer in Tasmania, Federal Group has provided skills and experience to many Tasmanians who have then moved into their own businesses, especially in the tourism and hospitality industries.

Federal Group provides job opportunities for both males and females in a huge range of occupations. Of the total 1,792 employees based in Tasmania – 952 of them are female.

Federal Group also has a significant wage bill across its workforce. In the last year, Federal Group paid \$124m in wages to its employees. Of this amount, \$88m was to staff based in Tasmania.

1.4 Sponsorship and Community Support

Federal Group is a major supporter of Tasmanian sport, the arts and community sector. Over the last year, Federal Group has invested over \$2 million in cash and in-kind support (approximately \$2.1m). This support ranges from major investments through to smaller and more localised support. The company has a philosophy of providing significant support within the community in which we operate.

This support includes the following organisations:

- Principal and naming rights sponsor of the Glover Art Prize
- Principal and naming rights sponsor of Variety the Children's Charity - Tasmania
- Major supporter of the Tasmanian Museum and Art Gallery
- Major supporter of the Festival of Voices
- Major supporter of the Hobart Baroque
- Principal supporter of Crimestoppers Tasmania
- Platinum sponsor of Variety Club Tasmania
- Major sponsor of Targa Tasmania
- Naming rights sponsor of the Wrest Point Art Award
- Significant sponsor of the Junction Regional Arts Festival
- Significant supporter of the Australian Business Arts Foundation
- Major supporter of the Ponting Foundation

Federal Group provides support to numerous groups around Tasmania. Most of these are small, local organisations that represent an important part of their local community. Support ranges from a few hundred dollars to over a hundred thousand dollars a year. It has been a long held philosophy of the Federal Group that the company must be an active contributor to the community in which it operates.

In addition to the above, Federal Group properties also provide support for local groups by providing subsidised or free venues for meetings and events. Many Federal Group staff are also active in statewide and local organisations that provide benefits

to the local community. The company actively supports staff that choose to get involved with local and community organisations.

1.5 Federal Group and Tasmanian Tourism

Federal Group is the leading player in the Tasmanian tourism industry. The company has significant tourism assets and generates extensive public relations exposure for the state.

Federal Group has developed and acquired tourism assets over the last ten years to provide products that deliver on the visitor experience. Federal Group's major tourism assets over the last ten years have encompassed the iconic locations of: Hobart, Freycinet Peninsula, Launceston, Cradle Mountain, and Strahan.

The company's scale has also meant that it has been able to invest heavily in marketing and promoting these iconic destinations. The exposure generated by the company's marketing activity over the years has encouraged visitors to explore these destinations and provided significant benefits to many micro and small businesses that lacked the capacity to directly market or promote their businesses interstate or overseas.

Federal Group is the major operator in the high end market and focuses heavily on marketing and promotion activities towards high yield visitors that can provide significant spending while they are in Tasmania, and therefore provide large direct and indirect benefits to the state's economy. In the last year the company has shifted its focus from a diversified tourism position to one which focuses heavily upon luxury end properties. In this regard, Federal Group already has two outstanding luxury tourism properties – the Henry Jones Art Hotel and Saffire. Tasmania is increasingly going to be seen as a luxury destination in the future and the growth we have experienced in Saffire has convinced Federal Group that this is the sector of the tourism market that they should focus on.

Public relations exposure is a key component of the Federal Group marketing strategy. For the recent launch of the new luxury resort, Saffire, it was the primary strategy. Federal Group products and services generate positive media coverage through interstate and international media – this is primarily achieved through travel media, but also includes lifestyle, design, outdoor, and food and wine media.

Federal Group believes that the focus on tailored, customer-centric experiences for guests, where they leave interactions with the company with much more than when they arrived, is the key to their future and the future of travel in general.

1.6 Other Federal Group Commitments

Federal Group actively supports the use of Tasmanian produce and purchasing from local suppliers. Evidence of the commitment to purchase goods and services from local suppliers is shown in the actual purchasing expenditure of Federal Group over the last 12 months. Over 70% of expenditure across the group on goods and services (over \$151m) was made with local suppliers. This is even more impressive when it is considered that some goods used by Federal Group are simply not available in Tasmania, for example gaming machines.

The Federal Group has a purchasing policy that actively supports local suppliers. The written internal policy is as follows:

All Federal Group Divisions will source from local Tasmanian suppliers where quality and service are of expected acceptable standards and pricing is within a 5% margin of any mainland or International supplier. This policy has been adopted with the goal to promote and support Tasmanian based products and businesses.

This policy demonstrates a commitment rarely found in any company. It means that the company bears well in excess of \$2m extra costs each year, in order to support local businesses and suppliers of goods and services.

Federal Group is also a major taxpayer in Tasmania, paying almost \$120 million per annum in taxes to Federal, State and local governments. Following is a list of some of the taxes and charges paid in the 2009-10 financial year:

- Federal Government: \$59m, including net GST remitted and Company Tax
- State Government: \$57m, including Gambling Tax, License fees, Payroll Tax, and a range of other duties and charges
- Local Government: \$3.2m, including General Rates

Federal Group has a philosophy of joining relevant associations and organisations that contribute and provide a voice on behalf of the sectors or locations in which the company operates. These associations range from national sectoral associations, through to state based business and sectoral associations, and local groups. Federal Group contributes to business and industry associations so that the sectors in which they operate have a strong voice in the Tasmanian community and a high commitment to industry standards and quality. Examples of some of the memberships that Federal Group holds are:

- Tasmanian Hospitality Association
- Tourism Industry Council Tasmania
- Casinos and Resorts Australasia

- Tasmanian Chamber of Commerce and Industry
- Tasmanian Industry Group
- Property Council of Australia (Tasmanian Division)
- Business Events Tasmania
- Local Tourism Associations
- Local Business Associations/Chambers of Commerce

Section 2: Gaming Regulation and Harm Minimisation

2.1 Tasmanian Gaming Regulation in Perspective

The Tasmanian gambling environment is heavily regulated to ensure security, probity and appropriate harm minimisation. Federal Group is supportive of a regulatory environment that is stable and strikes the right balance between:

- Industry certainty
- Player protection and harm minimisation
- Individual freedom

Federal Group has made significant investments in the gambling, hospitality and tourism sectors of the Tasmanian economy.

Federal Group accepts, and indeed supports, the need for a tightly regulated environment of gambling products. Tasmania has had such an environment over many years and this has led to a well-managed sector and very low levels of problem gambling.

There are always pressures for governments and regulators to make significant changes in the level of regulation of activities such as gambling. While harm minimisation and reduction in problem gambling are important considerations, they need to be weighed against the freedom of individuals to participate in a recreational activity, the investments that have been made by industry players, and the economic and fiscal benefits of the regulated activity.

These factors point to the need for a well-managed and stable regulatory environment. A stable regulatory environment provides the confidence for players in the industry to invest and the greater the levels of those investments, the greater the incentive for compliance with the regulatory environment.

Federal Group accepts that the regulatory environment needs to evolve as the nature of the sector changes and new information becomes available. However, the company

believes that the starting point for consideration of the regulatory environment should be the existing arrangements. From here, changes should only be based on sufficient evidence, extensive consultation, and a demonstrated incapacity for the existing regulatory environment to effectively address the problem.

The commencement of the Mandatory Code of Practice has already had a significant impact on the confidence of the company about the stability of the regulatory environment. This will have a substantial impact on the capacity of Federal Group to make further investments in the state.

Gaming machines in Tasmania are the most regulated of all gambling activities in the state. Yet a significant proportion of the next generation of gamblers is moving to newer and less regulated forms of gambling in the online environment.

The rise of the Internet allows Tasmanians to defeat their geographic isolation from the rest of the world. The Internet allows Tasmanians to connect with people, information and products that could not have been imagined when the first casino opened in Tasmania in 1973, or even when gaming was introduced into Tasmanian pubs and clubs in 1997. Tasmanians can now source entertainment options easily and simply via the Internet, and this capacity is likely to rapidly increase in future years. Importantly, this enables Tasmanians to access online gambling products from around the world.

Online gaming has experienced a dramatic and rapid growth internationally in recent years. Because of the Australian ban on online gaming, Australians are increasingly accessing international sites. The Productivity Commission recognised that online gaming and wagering poses risks:

It may increase problem gambling through its high level of accessibility, and the current prohibition of online gaming means that Australian online gamblers can only use offshore sites, some of which have poor harm minimisation features and unscrupulous business practices (Productivity Commission 2010, 15.1).

In the online environment there is a plethora of products available that include very large inducements such as free credits and multi-tiered loyalty programs (Tasmanian gaming operators cannot offer these due to the Mandatory Code of Practice).

Advances in technology are changing the face of gambling in Australia. This includes a significant rise in mobile based sports betting that is impacting on young men.

The reason this is important is because of the capacity for gamblers to shift into less regulated jurisdictions. If Tasmanian regulation is more excessive than interstate terrestrial or online gambling products, then there is a very real risk that players will

seek out alternatives. That is why it is important to not seek to regulate in a manner that is out of step with other jurisdictions and demonstrates the increasing interconnectedness of gambling regulation.

Federal Group has been a long term leader in bringing the industry together and discussing with regulators the best ways to ensure responsible gambling. Federal Group, through the leadership of Managing Director Greg Farrell, was instrumental in establishing the Gambling Industry Group (GIG) in Tasmania. The GIG is a forum where information is shared, common issues are discussed and industry approaches to tackle problems are devised and agreed.

The GIG has been in place since 1997 and involves the major gambling industry businesses and representative organisations in Tasmania. The membership of the GIG includes:

- Federal Group
- Australian Hotels Association/Tasmanian Hospitality Association
- Registered Clubs of Tasmania
- TOTE Tasmania
- Betfair
- Tattersalls
- Intralot

The GIG meets regularly with agenda items based on sharing information and issues that require a consistent and common approach across the industry. In addition to the above membership, representatives from the Department of Health and Human Services and the Treasury are represented to present information and take part in the discussions. Federal Group provides the meeting room, chairs the meetings, prepares the agenda, and distributes minutes and meeting outcomes.

One important achievement of the GIG was the development, agreement and implementation of the Code of Practice. All gambling forms voluntarily complied with the terms of the Code and included internal compliance activity. The industry code was widely regarded as a success and compliance levels were very high.

The industry code covered a range of areas including:

- Prizes, winnings and promotions
- Signage
- Customer comfort and services
- Hours of operation
- Patron care

- Brochures
- Self-exclusion
- RSG courses
- Service of alcohol
- Gambling on credit
- Advertising
- Access to cash
- Complaints handling

A strong example of the success of the GIG Code of Practice is related to the hours of operation of gaming venues in Tasmania. Prior to action being taken through the GIG Code of Practice there was no restriction on hours of operation, other than that provided by the licence granted to the licensee. This meant that a venue with a 24 hour licence could keep the gaming room open for the entire time.

The GIG became aware of this issue and discussed it at a number of meetings. It was agreed that the Code of Practice should be amended to include hours of operation and specify a maximum number of trading hours for a gaming venue in any 24 hour period. This was discussed and agreed, and the affected venues were instructed to comply with the new requirement. Their compliance was verified over the ensuing months to ensure that the agreed hours of operation were being voluntarily complied with.

The implementation of the Mandatory Code of Practice has meant that the GIG Code of Practice has been suspended

Federal Group has a strong commitment to the provision of information to patrons. This includes responsible gambling awareness products and education programs. The aim is to ensure that gambling patrons in venues are aware of the risks of problem gambling and have the information that they need about support resources, such as gamblers help counselling.

Federal Group, through Network Gaming, regularly circulates information to all Tasmanian gaming machine and TasKeno venues. Network Gaming produces, prints and delivers to each gaming venue a range of promotional, educational and awareness raising products. In addition, the company participates in activities such as Responsible Gambling Awareness Week.

Participation in these activities is voluntary, but Federal Group considers it an important part of being a responsible provider of gambling services. While the company considers the majority of patrons to have control over their gambling and treat it as an enjoyable recreation, there are clearly some patrons and potential

patrons that may have issues of control. The company therefore supports having resources and information available so that any patrons with control issues can identify their problems and get access to the advice and support they need. Federal Group contends that exclusion is often the best outcome and is strongly supportive of the program.

Federal Group strongly supports the work of the Gamblers Help counselling organisations and works to promote their services wherever possible. The company has always strongly supported the Gambling Exclusion program and has actively supported the flow of information to venues about the program.

Through Network Gaming, Federal Group also operates a Mystery Shopper program in gaming venues. This program has been run for the last ten years and is currently called the Service Advantage Program. Mystery shoppers regularly check each venue during the year with regard to, among other things, their compliance with the requirements of Responsible Conduct of Gaming.

Compliance with relevant responsible gambling standards is also ensured through regular visits to venues by Network Gaming account managers. These managers visit each gaming venue on a three weekly cycle and discuss a range of issues including compliance with responsible gambling practices. Each account manager follows a set agenda that includes responsible gambling and has stocks of relevant responsible gambling products on hand if venue stocks are running low.

The Service Advantage program and the work of Network Gaming account managers have resulted in very high levels of compliance in gaming venues. Similarly, this approach ensures that all gaming venues are constantly focused on performing to a high standard with regard to their responsible gambling practices.

Federal Group is also focused on ensuring that excluded patrons are not sent any information with regard to gambling. Information is regularly circulated to all relevant staff to remind them of their obligations and to ensure that this information is not sent to any excluded patron.

As the operator of Tasmania's two largest gaming venues, Wrest Point and Country Club Tasmania, Federal Group takes responsible gambling seriously. These two venues have policies and procedures for staff that outline their role in facilitating responsible gambling.

Wrest Point and Country Club both have Responsible Gambling Managers in place to coordinate the dissemination of information, training of staff, and leadership of player protection activities. Responsible Gambling Managers are both on the casino

leadership team and report directly to the General Manager with regard to responsible gambling activities.

The Responsible Gambling Managers coordinate all responsible gambling activities including: exclusions, behavioural observations, incident reporting, interventions, and player tracking. Both Responsible Gambling Managers are very experienced casino managers.

Federal Group has also strongly supported the delivery of Responsible Conduct of Gaming training to all staff working in gaming related roles. The industry took a leadership role in this before there was any regulation covering training requirements. The company rigorously ensures that all staff have completed the training and understand their obligations in the workplace to deliver gaming services responsibly.

2.2 Problem Gambling and Social Costs in Context

The rate of problem gambling in Tasmania is low. This is often lost in the media and public debates on the issue. Gaming in Tasmania is already subject to some of the tightest regulatory controls in the country and this has no doubt contributed to the low incidence of problem gambling.

Federal Group also subscribes to quarterly research of 1,000 Tasmanians regarding unprompted levels of concern about a range of social and economic issues in the Tasmanian community. The company has been using the same methodology for many years and Federal Group has subscribed to this service for over five years. Throughout 2009 to 2011, the unprompted concern about gambling was at 2% or 3% each quarter. However, in recent times this has dropped to 0%; in fact, the level of concern about gambling has been 0% for the last six quarters. Whereas the unprompted concern about unemployment is consistently above 50%.

The key point is that problem gambling rates in Tasmania are low. While the costs to individuals and society of problem gambling are a concern and need to be addressed; they also need to be put in context.

2.3 Gaming Machines and Venues in Tasmania

There are currently 100 hotel and club venues with electronic gaming machines in Tasmania, with none of these venues having more than 30 machines in the venue. In addition, the two Tasmanian casinos also have electronic gaming machines.

The density of gaming machines per 1,000 adults (18+) is an appropriate measure of gaming machine density. According to an ABS estimate (June 2012), Tasmania has

around 403,500 adults aged 18 or above, and there are currently 3,526 gaming machines in the state. This means that there are currently around 8.7 gaming machines per 1,000 adults in Tasmania. When the company last completed an SEIS submission in 2011, the estimated density of machines per 1,000 adults was 9.4 (3,652 machines and 389,000 adults); there has therefore been a decline of between 7% and 8% in the density of EGMs in that period. In the 2011 submission it was noted that Tasmania already had one of the lowest densities of EGMs per 1,000 adults in the nation.

It is a similar picture when EGM spend per adult is assessed. In 2011, Tasmania had an average spend on EGMs per adult of \$553, placing it as the lowest in terms of states and territories with gaming machines in hotels and clubs. At that time, the expenditure on EGMs was \$215m per annum and the number of adults was 389,000. In the 12 months to end March 2014, the total expenditure by Tasmanians on EGMs was \$189.9m and the number of adults was around 403,500. The average spend on EGMs per adult has therefore declined to \$471, a reduction of around 14.8% in just three years.

The licensed venues where electronic gaming machines are located are closely related to the original decisions on venue location made by the Tasmanian Gaming Commission in 1995/6. When gaming machines were originally being introduced into Tasmanian hotels and clubs, applications for a licence to operate machines were submitted by venues to the Commission. Licensed hotels and clubs were the only venues able to apply to the Commission for a licence to operate gaming machines.

The Commission then used a model to assess the commercial viability of these venues. The model was also used to determine the number of machines per head of population by local government area, and the number of venues per area. The model used by the Commission assessed the likely revenue per machine per day and determined that the minimum number of machines that a venue could support would be 10 due to the associated fixed costs.

Federal Group (through Network Gaming) was given an opportunity to comment on all venue applications. However, the final decision on the venue locations was made by the Gaming Commission whether or not these decisions were supported by Network Gaming.

The first gaming machine venues opened for business in January 1997. At that time there were 55 venues and this had increased to 109 by July 2001. However, since this time the number of gaming venues has gradually reduced and consolidated to the current number of 100 hotels and clubs. The last new gaming machine venue to be added was in May 2004 and there have been no further new venues since that time. Over the last ten years, the location of gaming machine venues has been very stable

with only a gradual decrease as some venues have voluntarily given up their gaming machines and they have been moved to other venues with capacity.

The density of machines and total gaming machine expenditure is declining. The reduction in gaming machine expenditure has been experienced in both casinos and hotels/clubs, however the decline has been most pronounced in the two casinos due to the impact of the Mandatory Code of Practice.

As the operators of Wrest Point and Country Club casinos, Federal Group has a good understanding of the demographics of our patrons that use gaming machines and other entertainment products. A substantial majority of gaming machine patrons (over 70%) are aged between 35 and 65. The shares of gaming machine patrons are substantially less than the share of the population at either end of the demographic spectrum, those aged less than 25 and those aged over 65.

The demographic of gaming machine players at Wrest Point and Country Club casinos is heavily skewed towards people who are currently employed. In addition, the occupations of gaming machine players tend to be white collar.

2.4 Tasmanian Gambling Research

Federal Group contends that governments must take a comprehensive approach to assessing the gambling environment and any potential regulatory change. It is important that the current regulatory environment and all measures introduced for reasons of harm minimisation and problem gambling reduction be rigorously assessed prior to further changes being considered. It is vital that there be a search for evidence of the potential social benefit of making regulatory changes and weigh the benefits against the costs associated with their introduction. The company contends that this was not the case in regard to the Mandatory Code of Practice.

Determination of the social benefits of regulatory changes should include reference to:

- Peer reviewed academic reports, with demonstrated applicability to the Tasmanian context
- Other credible and independent evidence with demonstrated applicability to the Tasmanian context
- Independent assessments of these regulatory measures in relevant jurisdictions
- The balance of evidence coming from “meta-analysis” reports such as the Productivity Commission

In addition, it is important for relevant research to be conducted into existing measures in Tasmania and their impact within this jurisdiction. Federal Group contends that far too often, the debate is about the next wave of potential measures, rather than assessing the impact of existing measures and then refining them to ensure that they work more effectively in Tasmania.

It is also important that any evidence of the social benefits of particular regulatory measures is weighed against the costs associated with their introduction such as:

- Impact on operators and investors in the industry (sovereign risk)
- Downstream impacts on the Tasmanian economy, employment levels, government revenue, and private investment
- Impact on recreational players and their ability to enjoy a legal (but regulated) activity
- Impact on normal commercial activities (within regulated environments)
- Impact on the incentive structure for players, and any likely shift to other (less regulated) gambling environments
- Impact on service standards and capacity for operators to deliver a high quality and enjoyable experience to the player, commensurate with their expectations
- Impact on the capacity of destination venues – such as casinos – to meet the expectations of their customers

There are always pressures for governments and regulators to make significant changes in the level of regulation of activities such as gambling. While harm minimisation and reduction in problem gambling are important considerations, they need to be weighed against the freedom of individuals to participate in a recreational activity, the investments that have been made by industry players, and the economic and fiscal benefits of the regulated activity.

Federal Group accepts that the regulatory environment needs to evolve as the nature of the sector changes and new information becomes available. However, the company believes that the starting point for consideration of the regulatory environment should be the existing arrangements. From here, changes should only be based on sufficient evidence, extensive consultation, and a demonstrated incapacity for the existing regulatory environment to effectively address the problem.

It is for these reasons that Federal Group is strongly supportive of the current social and economic impact study assessing the impact of existing harm minimisation measures and establishing a baseline for assessment of any new measures.

Federal Group considers the approach to quality research into gambling issues in Tasmania to be limited. The current Community Support Levy (CSL) raises nearly \$5 million per annum. 50% of the CSL funds are to be used for research, services, treatment and education around reducing problem gambling.

The current approach to the distribution of CSL funds for research does not adequately build the evidence base to determine the effectiveness of existing measures or build a strong understanding of the nature of gambling in Tasmania. Independent and thorough research is vital to stimulate a more mature debate about gambling in Tasmania, and to drive the future regulatory environment. Federal Group contends that the debate is too often dominated by other issues, with balanced and independent research coming a distance second.

Section 3: Mandatory Code of Practice

3.1 Background, Context and General Concerns

From the outset, Federal Group did not see that the Mandatory Code of Practice as a necessary policy initiative. The pre-existing GIG Code of Practice had 100% support and commitment from the Tasmanian gambling industry as well as being effective, rates of problem gambling remained low, and expenditure by Tasmanians on gambling and electronic gaming machines was flat. *In essence, we considered the introduction of a Mandatory Code of Practice to be a solution in search of a problem.*

The Mandatory Code produced by the Tasmanian Gaming Commission included over 60 measures that restricted the activities of Tasmanian gambling operators. The company had no particular concerns about a majority of these measures but around 10 measures were not supported because they would place the two Tasmanian casinos at a significant disadvantage when compared to the regulations in place at other Australian casinos. Similarly, some of the measures were not supported by evidence and not identified as issues by the 2010 Productivity Commission Inquiry into Gambling.

The company made a number of recommendations with regard to the Draft Mandatory Code in a submission to the TGC in April 2011. The company was very concerned about the impacts of the Mandatory Code and recommended that the TGC consider:

- Genuine consultation that takes account of stakeholder views, in particular those that will be greatly impacted by any changes

- The appropriate use of evidence and the consideration of the impact specifically on problem gamblers, not all players
- The application of a cost/benefit test to determine whether the benefits of proposed changes outweigh the costs of implementation

At a general level, the concerns of the company centred on the following broad issues.

3.2 Jurisdictional Consistency

The company argued that increased access to interstate gambling products through better access and the increased access to online gambling products through the Internet highlighted the challenging modern regulatory environment. Tasmanian regulators of gambling can no longer only focus on products that are licensed in Tasmania. They must also be keenly aware of terrestrial products interstate and online products worldwide.

The reason this is important is because of the capacity for gamblers to shift into less regulated jurisdictions. If Tasmanian regulation is more excessive than interstate terrestrial or online gambling products, then there is a very real risk that players will seek out alternatives. That is why it is important to not seek to regulate in a manner that is out of step with other jurisdictions and demonstrates the increasing interconnectedness of gambling regulation.

This is what has occurred. While there are few casino patrons that would have transferred to the Internet to gamble, we know that many of our more loyal and higher spending casino patrons now frequent other mainland casinos. Because the company has been forced to change the Federal Rewards Club and the restrictions at interstate casinos are significantly less, there has been a migration of patrons to other less regulated jurisdictions. This also means that Tasmania is missing out on a level of spending with the resulting economic, employment and government fiscal benefits flowing to other jurisdictions; with no identifiable reduction or impact on problem gambling in the state.

The company argued that the restrictions on casino operators with regard to loyalty programs, benefits or rewards, access to cash, and service should be relatively consistent across Australian states and territories. We continue to hold this view. The experience since the commencement of the Mandatory Code is that many of our most loyal and higher spending patrons have become frustrated with the new arrangements. A number of these patrons, especially those of high net worth who gamble at a consistently high level, have found alternative casinos to frequent. These casinos have fewer restrictions and are able to offer the types of rewards and benefits that used to be able to be offered in Tasmanian casinos; before the Mandatory Code.

The limitations of the Mandatory Code have hindered Wrest Point and Country Club in maintaining existing interstate customers and attracting new interstate customers.

3.3 Stability in the Regulatory Environment

The company has made significant investments in the gambling, hospitality and tourism sectors of the Tasmanian economy. These investments have a current value of approximately \$500 million. Federal Group accepts, and indeed supports, the need for a tightly regulated environment of gambling products. Tasmania had such an environment over many years and this has led to a well-managed sector and very low levels of problem gambling.

There are always pressures for governments and regulators to make significant changes in the level of regulation of activities such as gambling. While harm minimisation and reduction in problem gambling are important considerations, they need to be weighed against the freedom of individuals to participate in a recreational activity, the investments that have been made by industry players, and the economic and fiscal benefits of the regulated activity. The Mandatory Code skewed this balance and introduced measures that were unproven and *might* have an impact on problem gambling, but they *did* have significant impacts on the company's capacity to offer the types of benefits and rewards always offered to casino patrons, and continue to be offered in other jurisdictions.

A stable regulatory environment provides the confidence for players in the industry to invest and the greater the levels of those investments, the greater the incentive for compliance with the regulatory environment. The company accepts that the regulatory environment needs to evolve as the nature of the sector changes and new information becomes available. However, the company believes that the starting point for consideration of the regulatory environment should be the existing arrangements. From here, changes should only be based on sufficient evidence, extensive consultation, and a demonstrated incapacity for the existing regulatory environment to effectively address the problem.

The company contends that the TGC, given its recently expanded role, had an obligation to take a wide perspective on the regulation of the gambling environment. The TGC was delegated significant authority by the Tasmanian Government and therefore must meet the expectations of the full range of stakeholders when determining any changes in the regulatory environment. The lack of capacity for the TGC to consider the impacts on player choice, on gaming businesses, on the economy, on employment, and on government finances; all demonstrate significant weaknesses. The company has argued, and continues to argue, that rule making in the gaming environment – especially where it has such a material impact on these things – should

only be considered by an institution with a wider perspective. The TGC is not able to consider these matters within its current scope and the introduction of new rules such as those in the Mandatory Code should have been considered by the Tasmanian Parliament.

Elements of the Mandatory Code have:

- Introduced new rules not applying to casinos in other jurisdictions
- Negatively impacted on the revenue and value of our company
- Negatively impacted on the experience of our regular patrons
- Negatively impacted on the experience of our interstate and international patrons
- Negatively impacted on employment levels at the casinos
- Negatively impacted on gambling taxes paid to the Tasmanian government
- Not delivered any additional harm minimisation or player protection into the system

Elements of the Mandatory Code have caused all of the above negative consequences and yet were outside of the consideration set of the TGC when introducing the Code.

3.4 Lack of Evidence

Federal Group contended that the TGC should take a more comprehensive approach to considering potential changes in the gambling environment. As the TGC has a legislated role in harm minimisation and reduction in problem gambling, it was strongly recommended that the Commission should be required to search for evidence of the potential social benefit of making regulatory changes and weigh these against the costs associated with their introduction.

Any evidence of the social benefits of particular regulatory measures must be weighed against the costs associated with their introduction such as:

- Impact on operators and investors in the industry (sovereign risk)
- Downstream impacts on the Tasmanian economy, employment levels, government revenue, and private investment
- Impact on recreational players and their ability to enjoy a legal (but regulated) activity
- Impact on normal commercial activities (within regulated environments)
- Impact on the incentive structure for players, and any likely shift to other (less regulated) gambling environments

- Impact on service standards and capacity for operators to deliver a high quality and enjoyable experience to the player, commensurate with their expectations
- Impact on the capacity of destination venues – such as casinos – to meet the expectations of their customers

Federal Group contended that a number of the measures failed to meet the above cost/benefit test because:

- They lacked applicable evidence of any reduction in harm or problem gambling in Tasmania
- They were often not supported by the Productivity Commission report
- They were either not being implemented in other jurisdictions, or only in a small number of jurisdictions with no evidence of results

The company identified that a number of the measures in the Mandatory Code would have a negative impact on the casinos. Yet there was little evidence available that the disputed measures would have any impact on problem gambling in Tasmania. This highlighted a significant weakness in the process of introducing the measures; the TGC had no scope to consider the wider implications on the impacts of the Mandatory Code. This highlights the inherent risk when a regulator is given responsibility for rule making. The rules are more appropriately considered by a body with a wide scope, specifically the Tasmanian Parliament.

3.5 Casino Focus

Casinos are destination venues. Destination venues involve a premeditated decision to travel to the venue, often over a significant distance. Convenience venues, on the other hand, provide facilities a consumer may encounter during their daily activities. These venues often have a high accessibility to consumers and few barriers to consumption.

This differentiation between casinos and other gaming venues is accepted in Australia. Governments and regulators have recognised this difference through legislation, regulation and even in terms of tax rates. For their part casinos have accepted a much higher level of scrutiny as well as standards of operation that have imposed additional costs on their businesses.

Australian casinos, while their main activity is gambling, also generate tourism and offer a range of non-gaming facilities. These include dining, entertainment, retail and accommodation as well as extensive conference and convention facilities - all at the upper end of the hospitality scale. They provide this integrated tourism infrastructure

on a scale far greater than other venues. It is considered unlikely that this infrastructure would be provided if casinos did not exist. Well in excess of 50% of visits to Tasmanian casinos are for non-gaming purposes (includes food and beverage, conferences/meetings, in-house accommodation guests).

To ensure that casinos continue to provide world-class gaming and non-gaming facilities, they continually re-invest, renew and enhance existing facilities. Casinos require their gaming operations to generate sufficient returns to meet the costs of providing both gaming and non-gaming services and facilities.

Casinos also make significant contributions back to the communities in which they operate. Both Tasmanian casinos sponsor local charities and sporting groups with significant cash or product donations. While there has been a strong commitment to retaining sponsorships, both casinos have been forced to not enter into new sponsorship agreements and reduce or cease some sponsorships due to the impact of the Mandatory Code on both businesses.

Casinos are very different operations to hotels and clubs. Their scale is significantly greater, the customer profile is different, the level of risk associated with the venues is different, and they are destination venues that form a vital part of the Tasmanian tourism industry. Because there are only two in Tasmania, the customers have generally made a choice to attend a casino destination.

The company was therefore confused as to why a high proportion of the Mandatory Code measures that would substantially restrict activities were aimed at Tasmanian casinos. These measures were grouped under the headings of: inducements, player loyalty programs, access to cash, and service of food and alcohol. When the company assessed the impacts of these measures, it was clear that the greatest proportion of the impact would fall on the casinos, yet there was not any evidence presented by the TGC (or indeed the Productivity Commission) that casinos should be a major focus of further regulatory activity. Tasmanian casinos were therefore required to operate in a substantially different way to interstate casinos, thereby being placed in a severely compromised competitive position.

The company modelled the likely impact of a number of the changes proposed in the Mandatory Code on the operations of the two casinos. Using assessments of the impact on player behaviour as a result of the above measures in the Mandatory Code, the impact on the casinos was assessed as likely to be:

- Substantial reduction in revenue across all services including gambling and food and beverage
- Substantial loss of employment

The actual impacts from the Mandatory Code have been substantial. There has been a major reduction in patronage at both casinos, resulting in a significant loss of revenue in both gambling and non-gambling areas. This has resulted in a decline in levels of employment, although the company has been able to manage this largely through attrition and close labour management; rather than mass redundancies. The actual impacts are commercial in nature but have been outlined in the confidential section for use by the study researchers. However, the impacts have been broadly in line with those predicted prior to the implementation of the Mandatory Code and spelled out in submissions to the TGC (\$20m annual revenue reduction and 150 employment reduction).

Specific Concerns about Measures

A number of measures (under the headings of player loyalty, inducements, access to cash, and service of food and alcohol) were assessed as having a significant demonstrated cost to the business through a reduction in revenue. It was our contention that any benefits from these measures were either unproven or weak, and almost certainly not significant enough to pass any reasonable cost/benefit test.

1. Inducements

Under the heading of “Inducements” there were a number of measures of concern to the company. The measures were

2.2 People must not be offered free vouchers (or tokens and the like) of a value greater than \$10 which can be used for gambling purposes. This includes multiple vouchers at the same time where the combined value would exceed \$10.

Any voucher or token, regardless of the amount that it is issued for, must be redeemable for services other than just gambling, for example, accommodation, dining or entertainment. Any voucher offered, other than for a specific event, must be valid for a minimum period of 30 days.

2.4 people must not be required to gamble more than \$10 for a specific period of time in order to receive an inducement, obtain a prize or enter a specific prize draw.

2.5 An entrant in a promotional prize draw, where the value of any individual prize is greater than \$1,000, must not be required to attend the draw in order to win a prize in that draw.

These measures were assessed as likely to have a significant impact on the operations at Wrest Point Casino and Country Club Casino.

At the time, we estimated that this would lead to a change in behaviour of our customers and a substantial drop in visitations to the two casinos; impacting on our revenue across food, beverage and gaming. As a result, the casinos were forced to change their operations and this had an impact on the types of services offered and the number of staff required to deliver them. In particular, the demand for food and beverage staff was reduced.

The impact of this measure was that some members who previously had the opportunity to enjoy a meal earned through the accrual of points would no longer want to be members of the Federal Rewards Club or visit either of the two casinos.

The measure was not supported by evidence that it would reduce problem gambling. The Productivity Commission discusses inducements in some detail; their recommendation was as follows:

(Recommendation 12.3) Governments should prohibit venues from offering inducements that are likely to lead to problem gambling, or are likely to exacerbate existing problems, including offering free alcohol to a patron who is gambling (Productivity Commission 2020, 12.47).

The Productivity Commission report focused largely on the provision of free alcohol to patrons gambling. However, the Productivity Commission did not make mention of initiatives such as “meal deals” being a practice that required further regulation.

The Productivity Commission stated that:

It is important to distinguish between the different types of inducements offered by venues. Inducements that are part of the general promotion and marketing of venues to increase their patronage are likely to have broad recreational appeal. To restrict them would reduce the enjoyment of venue patrons. However, those inducements that are likely to lead to problem gambling, or exacerbate existing problems, are very difficult to justify and should be prohibited (Productivity Commission 2010, 12.46).

The Productivity Commission discussed some of the available evidence on inducements and summarised that “*the evidence that inducements increased problem gambling is mixed*” (Productivity Commission 2010, 12.45). Of the six pieces of evidence cited by the Productivity Commission it was generally found that inducements had been rated low as an effective measure to reduce problem gambling.

Other jurisdictions in Australia do not restrict promotions for casino members and patrons. It is standard practice throughout Australian casinos that members and other patrons can receive incentives such as meals. The types of inducements that some jurisdictions have banned are focused towards the provision of free alcohol.

This measure has had a significant negative impact on the Wrest Point Casino and Country Club Casino, resulting in reduced services and reduced demand for staff, in particular within the food and beverage parts of the business. Given that there was little or no evidence from the Productivity Commission to support this measure, the company contends that it almost certainly fails any reasonable cost/benefit test.

With regard to measure 2.5, the two casinos often ran draws for prizes for their patrons where the winner must be in attendance to claim. These included significant prizes (such as a new car) and the draw was designed to create an event at the casino. Many casino patrons that enter these competitions attended the prize draw and utilised other casino services. This became a “night out” and the casino increased their staffing levels accordingly to cater for the higher demand.

Measure 2.5 resulted in substantially less promotional prize draws such as these for casino patrons. This would have a flow on effect throughout the casino businesses. The measure also reduced the capacity for Wrest Point and Country Club to offer different promotions for its patrons. The company has therefore struggled to justify the offer of large prizes, such as cars, which were always purchased from local suppliers.

The Productivity Commission made no recommendations or findings with regard to attendance at promotional prize draws. In addition, attendance at prize draws to claim is normal commercial behaviour in Australian hotels, clubs and casinos. There is no known link to problem gambling from requiring attendance at the prize draw and has no basis in harm minimisation.

This measure is out of step with standard Australian practice for many promotional prize draws. It also impacted negatively on visitation to the two casinos and had a flow on impact through the full range of casino services, resulting in reduced demand for services and reduced staffing. As there is no known harm minimisation or problem gambling reduction benefits, the measure almost certainly fails a cost/benefit test.

The implementation of measure 2.2 has meant that there are fewer visits to the two casinos by patrons and this resulted in reduced revenue from a number of facilities including food and beverage, and gaming.

Restricting access to vouchers for gambling is a level playing field issue as the increasingly aggressive online gaming/wagering companies are offering significant credits for signing up (it is noted that this measure will not apply to online wagering). Removing the capacity for the casinos to offer similar incentives to members and

patrons has denied them the capacity to compete with the rapidly growing online gaming and wagering environment.

In addition, a number of mainland casinos offer inducements such as non-cashable free play to patrons. Removing the capacity of Tasmanian casinos to offer inducements puts them in a weakened competitive position.

The Productivity Commission was far from clear about whether inducements would impact on problem gambling. Their report summarised that “the evidence that inducements increased problem gambling is mixed” (productivity Commission 2010, 12.45). The primary inducement of concern to the Productivity Commission was the provision of free alcohol.

The company contends that the provision of gambling vouchers, especially for Federal Rewards Club members, would not breach the recommendations of the Productivity Commission. It is also important that Tasmanian casinos are not left at a commercial disadvantage when compared to online gaming and wagering products.

Given that there are minimal benefits attached to this measure while there are significant costs, the company contends that it does not pass a cost/benefit test.

2. Player Loyalty Programs

In addition to the discussion above under measure 2.2 (which also applies to Mandatory Code measure 3.12 for loyalty program members), there was one particular measure under the heading “player loyalty programs” of significant concern to the company:

3.9 The accumulation rate of reward points for gambling activities and any benefits offered must be the same for all members of the program and must not vary.

This measure has had a very significant negative impact on the operations of Wrest Point Casino and Country Club Casino. The casinos operate the “Federal Rewards Club”, which is a member based player loyalty program. Prior to the Mandatory Code, points accumulated to members based on their activity levels (including amount spent) within the full mix of casino services (food, beverage, gambling, accommodation, entertainment). The program had a range of different levels (or tiers), whereby the member accumulated points and gained rewards at different levels depending on their tier of membership.

Following the Mandatory Code, the core benefits of the casino player loyalty programs are now “vanilla” in nature. In other words, all point accumulation and rewards must be offered at the same rate to all members.

This has meant that there is little or no capacity to reward regular patrons and differentiate them from other members (or non-members). Members therefore receive substantially less value and a number have chosen to not remain members of the scheme. Player loyalty programs are a feature and point of difference for casinos and this measure was designed to substantially restrict their capacity to operate in a manner consistent with casinos in other jurisdictions.

The substantial amendment to the Federal Rewards Club in line with the measure reduced patron numbers to the two casinos, resulting in reduced levels of services available and reduced demand for staffing.

For the members of the previous Federal Rewards Club in the higher tiers of membership there was a particularly significant impact. These customers reduced their patronage of the two casinos, and a number of mainland casinos were engaged in widespread recruitment of some regular Federal Group casino patrons through offers of flights, accommodation and entertainment. Feedback from members was that inducements to travel to mainland casinos are already significant; this measure only served to increase the take-up of these inducements. Given that the jurisdictions in which other casinos operate have no such restrictions on inducements or player loyalty programs, there has been a rapid acceleration in shifting membership to mainland casinos. This was at the direct cost of the Tasmanian casinos and the Tasmanian economy. Although a Premium Player Program has been introduced in the intervening period, this has not lessened the impact on the Federal Rewards Club and its members.

The Productivity Commission made no recommendations or findings with regard to player loyalty programs. Given the comprehensive nature of the report in so many areas of gambling activity, it must be assumed that this is because they saw little or no risk in the current operation of player loyalty programs. The Productivity Commission also made findings elsewhere in the report that casinos are unique destination based venues. They found that casinos have a diverse mix of services and a diverse mix of patrons and recommended differential regulation of these activities.

It is worth noting that other jurisdictions in Australia do not have such restriction of player loyalty programs for casino patrons as those under measure 3.9. Casinos are destination venues of significant scale and therefore must work to attract patrons (they do not rely on passing traffic or convenience visits). This is why casinos all work to establish a loyalty program for members who have an interest in casino services (it should be noted that clubs in NSW also operate tiered loyalty programs). This type of practice is common with regard to member loyalty programs. Airlines, retailers and a range of other business types divide their extensive membership databases and often incorporate both accumulation of points and access to rewards on a tiered basis. It is also worth noting the range of tiered loyalty programs in the online environment.

As a result of this measure, there was a significant negative impact on the Wrest Point Casino and Country Club Casino. The company was forced to significantly amend the Federal Rewards Club and this caused significant angst among members and resulted in reduced revenue to Tasmanian casinos and increased “leakage” to mainland casinos (and potentially online), who were already actively recruiting Federal Rewards Club members.

Another unintended consequence of the introduction of this measure has been that the company has been forced to be less transparent about the accumulation of benefits under the Federal Rewards Club. Under the pre-Mandatory Code Club, the casinos could be transparent about the points accumulation required to enter and remain in a tier of the club, and then the benefits available to members of that tier. Under the amended club, the casinos can only provide benefits on an adhoc basis to members, causing resentment and claims of favouritism compared to the old arrangements.

3. Access to Cash

Another measure of concern under the heading “access to cash” stated that:

4.2 casino operators must ensure that customers are not able to withdraw more than \$400 per day from their account at automatic teller machines located at a casino.

The company’s two casinos are destination venues with significant facilities including: restaurants/cafes, bars, entertainment facilities, accommodation, conference/function areas, retail outlets, table gaming, and gaming machines. A large proportion of accommodation and convention customers at the two casinos are from interstate and overseas and use the venue as their base during their stay in Tasmania. Well in excess of 50% of all visits to the casinos are for non-gaming purposes.

Substantially reducing the amount of cash that a casino patron or visitor can access has impacted on their capacity to enjoy the facilities or to access cash for tourism experiences outside the casinos (in-house guests). It has reduced the overall spend in the venue (and potentially elsewhere) and had an impact on all areas of the casino operations. It is also important to remember that the two Tasmanian casinos (unlike other casinos in Australia) are in locations separate from other commercial buildings, such as banks.

Again, this measure was not supported by evidence. In fact, the Productivity Commission specifically recommends that ATM limits **should not** be applied to casinos because of their unique nature.

The Productivity Commission gave the issue of access to cash and credit a significant focus within their 2010 report. The Commission summarised in the following way:

The Commission considers instead that, based on the limited evidence available, a limit of \$250 per day on withdrawals from ATMs/EFTPOS facilities could help address gambling harms without unduly affecting non-problem gamblers and other patrons or having other adverse impacts.

Casinos should be exempt from this withdrawal limit (emphasis added) Compared with clubs and hotels, casinos offer a broader range of gambling and other services and attract a broader range of patrons. A withdrawal limit would thus have greater costs for casinos (Productivity Commission 2010, 13.31)

This is therefore reflected in recommendation 13.2 of the Productivity Commission report which states that:

Cash withdrawals from ATMs/EFTPOS facilities should be limited to \$250 a day except for casinos (Productivity Commission 2010, 13.37).

The reason that the daily withdrawal limit was not recommended by the Productivity Commission reflects the diverse nature of the product offering and the patron mix in casinos. The Commission stated that:

It would be impractical to impose the withdrawal limit for gaming machine gambling in casinos, but not other purchases, since that would require supervision of how people used their withdrawn cash (Productivity Commission 2010, 13.29).

The TGC did not provide any other evidence that is at odds with the detailed findings and recommendations of the Productivity Commission with regard to this matter.

In addition, a daily withdrawal limit on ATMs in the two Tasmanian casinos is inconsistent with practice in other jurisdictions. In other Australian casino complexes, ATMs are available without daily withdrawal limits. This is because Australian casinos are destination venues with a wide range of products and services and a highly diverse patron mix, including many interstate and overseas visitors.

This measure had a significant negative impact on the Wrest Point Casino and Country Club Casino. It resulted in reduced services and reduced demand for staff, in particular within the food and beverage parts of the business. It also inconvenienced the highly diverse mix of patrons that attend the two Tasmanian casinos; including the many interstate and overseas visitors, and non-gaming patrons. Tasmanian casinos already had other restrictions in place with regard to the distance from the gaming area where ATMs can be placed.

4. Service of Food and Alcohol

Another measure of concern under the heading of “food and alcohol” was:

7.1 A person must not be served food or alcohol while playing, or seated at, a gaming machine between 6pm and close of gambling each day.

Casinos pride themselves on offering a high and personalised level of service to their patrons. Ever since the opening of Wrest Point in 1973 and the Country Club in 1982, the company has prided itself on delivering a level of service that meets or exceeds the expectations of our patrons.

Removing the capacity to serve food and alcoholic drinks to our customers has led to perceptions that the company does not care about delivering quality service. In addition, many of our older or mobility impaired customers appreciated the previously available personalised service. The feedback from our patrons is clear that they believe that the casino experience is no longer a special one. This has resulted in reduced patronage.

Taking orders and serving alcohol to gaming customers is a normal practice in casinos. Having to cease this at 6pm has been an annoyance to many of our customers; especially those that also have experienced gaming at mainland or international casinos. The two casinos used to employ staff specifically as tray hosts to provide service for gaming patrons. As a result of this measure, Wrest Point and Country Club were forced to remove these roles entirely as it was completely unviable to offer a tray hosting service only before 6pm.

For many patrons enjoying a drink or food while playing is part of the experience. The company has, over many years, rigorously applied the principles of Responsible Service of Alcohol in Tasmanian casinos.

There is little or no evidence that drinking or eating while gambling results in increased harm. Schottler Consulting (quoted in the Productivity Commission 2010, 12.46) found that 39% of non-problem gamblers in Victoria reported reduced enjoyment if they were not able to drink while gambling. The Productivity Commission do not make any recommendations or come to any findings with regard to food or alcohol being consumed while gambling.

Given that many visitors to Tasmania have experienced casinos in their home state/country, many have been disappointed to find Tasmanian casinos offering a service that is perceived to be of a lower standard. Similarly, Tasmanian casino patrons have been disappointed that they cannot enjoy the same levels of service that

they get at a mainland casino. This has provided further incentive to patronise mainland casinos to get a special experience.

The measure impacted on Wrest Point Casino and Country Club Casino and there has been a reduction in patronage and reduced demand for staff. The measure is out of step with casino practice and regulation in other jurisdictions and it is not supported by the Productivity Commission. The measure has reflected badly on the service provided by the Tasmanian casinos.