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### THE JOINT SELECT COMMITTEE ON FUTURE GAMING MARKETS IN TASMANIA MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 22 MARCH 2017.

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Mr WILLIAM HODGMAN, PREMIER; AND Mr PETER GUTWEIN, TREASURER,  
PARLIAMENT OF TASMANIA WERE EXAMINED.

**CHAIR** (Mr Gaffney) - Thank you, Premier and Treasurer, for being here today. We are very pleased you could make it, especially with your busy schedules. Also, congratulations on instigating the inquiry on this important issue.

We have had close to 150 submissions and we are into our sixth day of hearings. It is being broadcast and the evidence you present is being recorded. The *Hansard* version will be published on the committee website when it becomes available. If there is some evidence you would like to give in camera, that can be organised. We have not had to do so recently. It is offered to ensure we get the right information from everybody who provided a submission.

I will ask you to make an opening statement about the process and then I will ask a few general questions about the inquiry. Then we will go through the terms of reference, and we will start with term of reference (c).

**Mr HODGMAN** - Thank you, Chair and members, for the opportunity to attend today. I welcome the chance to make some important observations by way of an opening statement for the committee to consider in its deliberations.

The Treasurer and I are very pleased to be part of this process, a process we established, and to appear in person to assist the committee in its efforts. We have detailed our views and policy position, therefore we didn't provide a written submission to this committee. Our view is that this committee predominantly, importantly, allows for other interested Tasmanians to have their say on the future of the structure of the gaming sector post-2023. We want to hear the views of Tasmanians, including in relation to our stated policy position and with respect to any other matters contained within the terms of reference, which include an ability for this committee to consider any matters it deems appropriate.

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

We have outlined the government position, as the Treasurer described as a 'starting point' for what is a community conversation. It was outlined in detail by the Treasurer in the ministerial statement on 17 March 2016. We have endeavoured to be proactive and transparent in outlining

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our policy position. We want the community to have its say, but I believe Tasmanians would want the Government and all political parties to outline their views on this subject.

In summary, some of the key elements of what we have done and what we have proposed. We want people to understand or think about how the gaming market might look post-2023. We have brought forward this community conversation, well before the decision point of 2019. We didn't have to do this but we did so to provide greater transparency and to allow sufficient time for people in the community with an interest, and to provide certainty for all stakeholders and interested individuals. This is a significant departure from what has happened in the past.

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

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

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

Gambling is, and I believe always will be, a product of human nature. The question for government is how best to regulate it and how to support our community and provide protections for our community. The process which the Treasurer and I are very pleased to be participating in today is an important part of the community conversation. We have brought this forward in the interests of openness and transparency and accountability. We have been prepared to state a public policy position on it but importantly to allow for Tasmanians to have their say as well. I thank you all and I suggest the Treasurer might also make a short opening statement.

**Mr GUTWEIN** - Chair, I will make a statement to clarify positions that I have already brought forward. As you are all aware the gaming sector has had association with the state for over 40 years in Tasmania as a tourism leader and licensing of the first gaming casino. I am pleased to note that Tasmania continues to be a leader in tourism again. It is truly exciting to see the way in which this sector has been growing and diversifying in the last three years and the statistics that were released by the latest tourism visitor survey a few days ago only confirmed the good things that are happening in our state. The Tasmanian tourism industry today has strongly matured.

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In the early 1990s, in order to provide a secure base for the industry to grow and invest, the Federal Group and the then government entered into a 15-year deed to provide commercial certainty for the company's business model. This certainty was achieved by retaining exclusivity in relation to the operation of the casinos, EGMs and keno, which at that time was a casino game only. The deed therefore provided the platform as one of the new developments in the Tasmanian tourism and hospitality sector by delivering a number of tax and regulatory changes to the operation of EGMs in Tasmania.

In 2002, around six years before the 1993 deed expired, the then government agreed a new deed that secured the Federal Group's formal commitment to the development of a new venture at Coles Bay and introduced new measures relating to harm minimisation and a cap on the number of EGMs in Tasmania, higher tax revenues and an increase in the community support levy on EGMs in hotels and clubs. Importantly, the 2003 deed provided the Federal Group with exclusive right to operate EGMs with keno and casino table games in Tasmania until at least 30 June 2023. Whilst we as a party had concerns with the process by which the 2003 deed was developed and agreed, they were negotiated with the then government and they were enshrined in law by parliament.

As a Government we recognise the sovereign risk associated with any unilateral changes to that agreement. For this reason, as a Government, we have been consistently clear that we are not going to reach in and change the rights which were under the deed at that time reviewed by parliament and then enshrined in law.

In late 2014, Mr David Walsh, expressed a desire to operate a high rollers non-residential casino at MONA to help financially support the museum and associated facilities that have been so central to the recent tourism, cultural renewal that we are observing in the state. This was an exciting proposal and as a Government we recognise its potential to further promote Tasmania as a 'must see' destination.

At around the same time as the approach from Mr Walsh, the Federal Group also approached the Government about its next round of investment, flagging its desire to gain a longer period of certainty on its current business model to assist in financing further significant capital investment. It was clear that Mr Walsh's proposal could only proceed under the current arrangement specified in the deed with the agreement of the Federal Group. For this reason we encouraged an engagement between Mr Walsh and the Federal Group regarding the possibility of an amendment to their exclusivity to allow that project to proceed. As a Government we brought those two separate initiatives together to see whether the MONA casino could be progressed earlier than that provided for under the deed, namely 2023, and on what terms. The Federal Group indicated it was prepared to consider an amendment of the deed to allow Mr Walsh's casino proposal to proceed before the expiry of the current arrangements, provided that its rights under the 2003 deed were extended.

The parties were unable to reach agreement and on 14 September 2015, Mr Walsh withdrew his proposal because he was not prepared to be a party to an arrangement that could have extended the Federal Group's current monopoly. The Government ended that process to find a path for the MONA casino to be developed. We have made it consistently clear that we are not prepared to enter into single bilateral negotiations with the Federal Group, as previous governments have in the past, without there being an open and transparent process around any future licensing arrangements.

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As members of the committee are aware, there has been significant public and media interest in relation to how the rights to conduct gaming activity will be determined in the future. Although there is no requirement for a decision to be made on this issue until mid-2019, as a Government we determine that we should act now to gauge the views of the community and the industry such that we would be able to develop well-considered policy proposals in a time frame that gives all stakeholders a clear understanding of the future direction of the gaming industry.

In late 2015, following Mr Walsh's decision to withdraw his proposal, we considered matters such as the issues and options and the process that might be employed for determining the market structure and regulatory arrangements that might apply after 2023. There is clearly a complex range of issues that must be considered and resolved. In addition, there was clearly diversity of views on how those issues might be addressed for the benefit of the community and the broader community.

Although there are several ways in which one might test the community's views, such as has occurred in other states in the past where committees of government or independent consultants have considered these matters, we formed the view that the Parliament was best placed to consider these matters, and that the best mechanism was to establish this joint select committee. This forum allows all members of the community to have their say in an open and transparent manner.

It also allows those views to be tested by the members of the committee, and places the submissions and testimony of those stakeholders on the public record. It is our hope that the committee therefore receives a wide range of views, which will form the basis of the committee's recommendations to the Government. The Government has outlined its views and some aspects of how we believe the future landscape of Tasmania's gaming industry should look. In doing so, to help the community and this committee understand our thinking, we outlined some guiding principles we have used to form this view.

Our first guiding principle was that gambling is a lawful form of entertainment for many Tasmanians, and a wide range of gaming products should be available to consumers at a fare which provides an acceptable average return to players. Second, the regulation of the gaming industry should be designed to create a sustainable industry with the highest standards of probity whilst minimising any harm caused by problem gambling. Third, the financial rewards from the gaming industry should be shared appropriately, among the industry, the players and the Government representing the community. Fourth, 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. Our fifth guiding principle is that the duration of a gaming licence should be commensurate with, amongst other things, the level of investment necessary to underpin the delivery of the operation.

Chair, consistent with these five guiding principles, the Government is determined to set a policy position in relation to the structural arrangement for casino gaming operations and hotel and club EGM gaming post-2023. First, in relation to casino and keno operations, the Government's position is that the rights to conduct the gaming in the existing casinos, including EGMs and table gaming and the operation of keno, are to remain with the Federal Group, subject to the standard probity and regulatory performance arrangements and satisfactory negotiations regarding terms of taxation and licence fee arrangements.

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Second, the tax rates and the licence fees for casino gaming and keno are to be reviewed against the broader Australian market with a view to ensuring that returns to players, the licence entity and the community, via the Government, are appropriate. Third, given the emergence of the MONA proposal, the Government's view is that limited new high roller, non-residential casino licences should be available in Tasmania in addition to the Federal Group's two casinos, and that in the first instance the opportunity to apply for such a licence should be afforded to Mr Walsh, given he initially came forward with the proposal in respect of financially supporting the MONA museum.

If that licence opportunity were taken up, and again subject to Mr Walsh meeting the necessary and rigorous licensing and probity process, the Government is of the view that one additional licence could be made available for a location in the north of the state, should there be market demand for such an operation.

In relation to EGMs in hotels and clubs our policy position is that the rights to operate these machines post-2023 will be allocated and priced by market-based mechanisms such as a tender. The Government has an open mind 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 alternative model, such as individual venue ownership under a common network, and a trial platform could also be considered.

In regard to overall EGM numbers from 2023 onwards, the Government's policy position is that the current statewide EGM cap at 3680 would be decreased to 3530, which is the level of EGMs that was in place when I made the ministerial statement to parliament in March last year - a reduction of 150 machines.

The Government's third policy position on hotel and club EGMs is that the tax rate and licence fees for these machines are to be reviewed with a view to ensuring returns to players. The licence entity or entities being used in the community by the Government are appropriate and reflective of the broader Australian market. Furthermore, we consider the Community Support Levy which is applied to EGM activity in hotels and clubs should be reviewed to ensure it is set at an appropriate level, delivering outcomes that are in the best interests and meeting the requirements of the community.

The Government's final position in relation to hotel and club EGMs is the relocation of EGMs into new hotel and or club venues; that is, those venues that currently do not have machines today would be subject to a new public interest test to be applied by the Liquor and Gaming Commission to give local communities a voice in determining the future location of EGMs in the community, which we believe has been lacking.

We recognise that the future of Tasmania's gaming industry is important to many Tasmanians and that Tasmanians deserve to have their views heard on these important issues. The establishment of this committee is the first time Tasmanians have had the opportunity to have their say on these matters and we welcome the work that you as parliamentarians are doing for our community. That being said, along with the Premier, I am very happy to provide all assistance I can to the committee.

**CHAIR** - Thank you very much, Premier and Treasurer, that is a very good overview for those who have not read your submission now they have heard it, so that is helpful.

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For the remainder of the hearing, when somebody asks a question, perhaps it is easier for whoever is best placed to answer the question instead of asking the Premier and then the Treasurer - you guys work it out between you. No doubt some of the questions we have in front of us you have already touched on, but people may want to ask those questions again to drill down further into the meat of them.

A couple of general questions. When the select inquiry was proposed downstairs you only had five criteria. It was only after it came upstairs that we focused on two more criteria, those two being: (a) consideration of community attitudes and aspirations relating to the gambling industry in Tasmania with particular focus on the location number and type of machines; and (b) review of the findings of the social and economic impact studies conducted for Tasmania. When it first appeared in our place those two terms of reference were not included. Could you explain why they were omitted downstairs when the Government proposed the terms of reference for this inquiry?

**Mr GUTWEIN** - They were not omitted downstairs. What we brought forward is what we thought would provide an opportunity for the community to have their say.

In regard to the additions that were provided for upstairs, I was happy to have those additional terms of reference but was of the view that, with the terms of reference we provided in regard to the positions we had outlined as policy positions, if anybody wanted to have their say about the number and location of machines and the fact that our policy position went to the community interest test, people would have been able to have their say. With the 'overrider', if you like, of 'any other matters incidental thereto', it is entirely up to the committee as to what evidence it heard, so I did not think we were limiting anybody having the opportunity to bring any matter regarding gaming before this committee.

**CHAIR** - Do you think the fact that those two terms of reference that were included has opened the doors or encouraged other groups to have input into it? If you do not go to your policy and read it, the remaining five are fairly much based around the taxation arrangements, licensing, those sort of things. I think these two terms of reference put out what we are hearing in the community, that they want to have a say about the social impacts within. Do you think this has expanded the terms of reference to some extent?

**Mr GUTWEIN** - You have certainly expanded the terms of reference, but I am still of the view that those with an interest in any aspect of gaming policy under the terms of reference would have been able to come before this committee and be heard. With the great deal of public interest there was in regard to this matter at the time, and as there has been, there would be very few Tasmanians - certainly last year - who were not aware there was a parliamentary committee going to be undertaken to look at this matter.

**CHAIR** - So you weren't surprised by the number of submissions we received and the amount of media interest this has created?

**Mr GUTWEIN** - Not at all. One of the key reasons in the Government's thinking as to why the parliamentary committee was important is that the gaming industry in Tasmania has always been at flashpoint. There are polarising views in the community on it and it does not take very much for there to be a very strong public debate generated about gaming in Tasmania for it to be on the front page of a newspaper or broadcast electronically. There is real interest in this. There were a number of options other states have used in respect of how they have employed

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consultants or have had committees of government to look at gaming matters in those states. In Tasmania we thought as a government that the most appropriate vehicle to hear these concerns was the Parliament because ultimately any change to the structure of gaming post-2023 will come through the Parliament.

**CHAIR** - When it was first proposed downstairs you had a reporting back to parliament by 15 November last year and, to me, that was just not possible or practicable. Do you understand now why we have had to lengthen it, because of the nature of the information we have received and people writing submissions and taking time out in October, November and December - which is very busy for our service organisations representing a lot of the people who are impacted by gaming? Is it no surprise to you we had to lengthen the time to report back? I know from the Government's point of view you would like a report tomorrow so you can continue with your work but it just wasn't practical.

**Mr GUTWEIN** - In providing a position to the parliament in the lower House, all we could do was make a suggestion. The Government's position at the time had to be heard upstairs. When I look back, with the statement early in the year, there was a view that the matter might have been dealt with before the middle of the year and then allow for at least a six-month period or perhaps longer for the discussion to take place. In the end the committee wasn't finalised, I think from memory, until August.

**CHAIR** - It was finalised downstairs earlier but didn't come to our table until later in August.

**Mr GUTWEIN** - And with the amendments that needed to be considered. Again, the committee is master of its own destiny. At some stage around March next year there will be a state election and I believe it is important all sides of politics in this state have an opportunity to express their position well before that. I think the committee will inform a lot of thinking in that regard.

**Mr HODGMAN** - We are not surprised at the level of interest in this subject. We thought a number of months might be sufficient time, but perhaps that was a little overly-optimistic and we appreciate that some would say we have not offered enough time or it is too short. It is a benchmark we put down without wanting to presume the business of the committee or those who might want to contribute to the process. It has proven that more time is required and that is unreasonable, nor is it unwelcomed. We appreciate the additional demands on the committee and have provided support for it in its deliberations. We certainly would not want you to rush it. We are not adhering to an election timetable. I make the point we brought this debate forward. Another government might have said it is something best left in the too-hard basket and not deal with it until after the election. That was an option available to us but we have resisted that to bring forward this discussion, for as long as it needs and takes to inform this committee; with terms of reference we are entirely comfortable with, and that will help inform government's response.

**CHAIR** - Premier, I was pleased you articulated the reason you only responded to one of the terms of reference, because it was the policy position. I asked Research to look over the last five years as to how often a government has not put in a full submission and it has only happened on three occasions. I was also comforted to hear recommendations and findings from this committee will help guide you to form, change or adopt your policy.

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We have heard from a number of groups that, when the current deed expires, they want the Tasmanian Parliament to remove poker machines from hotels and clubs in local communities and have them located in casino environments, for a range of reasons. You have listened to and read those. Is that a possibility? Is the Government really going to be open to recommendations? It is important for us to understand what frame you want us to operate in. That could be one of the recommendations. I am not saying it is because we are not at that stage yet. I want to understand what the Government is thinking. If that is the will of the people, how do you deal with that recommendation and finding, what is the policy position?

**Mr HODGMAN** - We are genuinely interested in the findings and recommendations of this committee and we will consider each and every one of them. We have to balance a number of competing issues. The issue of prior investment in venues and certainty for existing operators is one that might counterbalance a notion of removing each and every one of the gaming machines.

**Mr BACON** - Is the document you have given to the committee and read in parliament a starting point, that you are willing to look at any recommendation from the committee?

**Mr HODGMAN** - It is, and that is exactly as the Treasurer described it; a starting point. We did not lodge a written submission because we thought this was the vehicle for everyone else to have their say. We have given our starting point and our guiding principles, as well as our policy statements, but we will consider each and every recommendation of this committee.

**Mr GUTWEIN** - As part of that consideration, this is an opportunity for the committee to bring forward evidence and data to support any recommendations. It is then for the Government to consider this on evidence and data. It is an opportunity, as we both said in our opening remarks, that has never before occurred in this state.

**CHAIR** - I am sure Tanya will touch on that soon. I can remember Meg Webb saying the social policy is being formed and there is evidence based on the third, and maybe the fourth, impact study coming up. I am pleased to hear that because it was reported in the media more along the side of, 'we're having a community conversation'. From a committee point of view, we need to have the community conversation but we are more than simply a conversation piece. The committee is going to come back with recommendations and findings once we have that conversation. I was concerned we were providing a vehicle for the community to have a talkfest, to come up with some recommendations and findings, and for the Government to say, 'They've had their chance to say it and this is how we're going to operate'. I am pleased to hear this is a starting point, the policy position you have put in front of us.

**Mr HODGMAN** - I made the point that, without needing to, we identified policy positions of the Government. You are damned if you do, you are damned if you don't. We thought we would take a leadership position ahead of when we needed to, to tell people what the Government is thinking. That should not in any way circumvent anyone else from having their say through this process. I do not think there could be a more robust and transparent process than this committee.

**CHAIR** - That leads well into terms of reference (c), the Hodgman Liberal Government post-2023 gaming policy. Could you explain for the committee, and for those listening, the process you undertake to come up with your policy? Who do you consult with regarding this policy? Do you speak with those in the industry, within groups, or do you sit around the table together and come up with something? How do you come up with a policy regarding something like this?

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**Mr GUTWEIN** - This is a really challenging issue for Tasmania. In arriving at the policy position, I took advice from a range of different areas. Treasury provided some information and I spoke with my ministerial colleagues. All of us around this table have been in public life for a period of time, on many occasions, both in government and in opposition. We have met with both industry and community groups that have a particular interest in this; and you form a view. You form a picture in your mind.

I am sure on that side of the table those of you who have been around for a while have formed your own picture of what you think is an appropriate way forward, but the normal policy process is consultation. In this case I feel as if we have been consulting on gaming since 2002 because it seems to come up almost every year. The position and the guiding principles we have outlined were discussed amongst the government. I think we have landed on sensible and fair principles to guide policy development. On the basis of a range of advice and interaction, in the immediate term and over a long period of time, we were able to provide the Government's policy position.

**CHAIR** - Take, for example, the guiding principle 3 -

The financial rewards from the gaming industry should be shared appropriately among the industry players and the government's representing the community.

Does the Government have a view about whether the current levels of returns to players are appropriate? That is the policy position you have arrived at, so what do you believe is an appropriate return to player position?

**Mr GUTWEIN** - You went through that extensively with Mr Root when he was here. He spoke about the average return to players and I think he indicated the minimum is 85 per cent, but we pay about 90 per cent in Tasmania.

I hope the committee would form a view as to what is viewed as being a reasonable return based on looking at other jurisdictions as well. There is an opportunity here to consider taxation, and whether, through the government, the community receives a reasonable return. It is worth bearing in mind any taxes the government receives are spent in other areas, such as health, education, et cetera. In looking at that I think I used the word 'appropriate' as opposed to 'fair', because there would be some in the industry that would think a fair return is a much higher return. I am certain the player might also have a view. As Treasurer, I have a point of view. The opportunity is before the committee to consider what it views as being appropriate.

**CHAIR** - Along that line, do you have arguments for retaining a single operating network model? You have made it clear that you probably do not want that. Do you balance that, should the committee come back with the reasons for and the reasons against? We have heard some people say the model we have in place is the best one, and we have heard others say, no. We have heard of experiences in other states that a single operator is not the best. How did you come to the conclusion that you do not want a single operator?

**Mr GUTWEIN** - We want to test the model with the market mechanism. In one of the first conversations I ever had with Peter Holt when he was then the head of the Liquor and Gaming Commission at the time. He made the point that from the Liquor and Gaming Commission's point of view when he was chair that being able to regulate a single model with a single backbone, as it

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were, has a range of benefits. The broader question in Tasmania in regard to taking the machines and the operating model out to the market has been whether Tasmania has been getting the best deal. I think that needs to be tested.

In regard to the model, whether it has a single backbone but then some form of individual ownership in pubs and clubs, or you licensing and regulation in an individual hotel or club model, these are matters I hope the committee would consider and provide recommendations on. I certainly do not have a firm view at the moment. As the Premier said, we will take on board the advice and information that is provided by the committee for consideration.

**CHAIR** - Have you done any modelling? If we did remove the single gaming network model, should there be additional revenue from EGMs, either through taxation, venue revenue, or an increase in the Community Support Levy? Are you thinking there should be an increase in return?

**Mr GUTWEIN** - We have provided the committee with the opportunity and the resources. A question I would ask the committee to provide some input into today would be whether you have adequate resources. I do not have a firm view on this at the moment. I am hoping that this committee, adequately resourced, can look at the models that operate around the country and provide recommendations based on data and evidence as to what you think the most appropriate model might be for here.

**Mr HODGMAN** - We will get the Treasury gaming perspective, and with great respect, that is a part of the picture, but this committee, this process, affords us as Government to receive a more holistic view to balance some of those competing issues and test some propositions. For example, on the issue of returns to government, the notion that governments are addicted to pokie revenues is unfounded when you consider the proportion of the state budget revenues that come from gaming activity. That is not to demean or diminish the size of the returns, but in the scheme of things, about 1 per cent of the state budget could not seriously be described as a government being dependent upon gaming returns. What constitutes a reasonable balance in that space, or indeed revenue returns to players and/or the operators, can perhaps be best tested by reference to other jurisdictions.

**Mr BACON** - When you say take advice from Treasury, do you mean once the recommendations from the committee come out you will take advice from Treasury on those recommendations to see if -

**Mr GUTWEIN** - I think that with any report of the committee there would more than likely be a need to seek advice from a range of different agencies at that time. In respect of harm minimisation and any recommendations you provide, I expect the Department of Health and Human Services would probably have a view, I am sure Treasury would have a view, and DPAC is a whole-of-government agency, so -

**Mr BACON** - The Gaming Commission itself or -

**Mr GUTWEIN** - I expect they would have a very strong interest in this. To be clear, from the committee's point of view, you should take comfort that we are not sitting here having already received all this advice and formed a hard and fast position. The proposal to establish and resource the committee appropriately with assistance through DPAC or Treasury or with funds to

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provide independent consultants, is so that those questions that as a government we would normally ask can be dealt with through this process.

**Mr HODGMAN** - I guess it would be right to say that by 'advice' I mean input from relevant agencies, which is often provided through the normal course of business and through the reports we all receive publicly that inform the community on this issue. We will of course take advice as to what may or may not be the appropriate models, and this committee is one of the vehicles for informing us.

**CHAIR** - You said earlier that the Department of Treasury and Finance provide you with advice on issues, options and processes for determining the market structure and regulatory arrangements that might apply after 2023. Can you please share with the committee the advice you were given and your views on the post-2023 regulatory framework or environment?

**Mr GUTWEIN** - Treasury has provided no firm advice but has raised with me a range of issues and options to consider. My view in establishing you with the Treasury resource was that you can quite likely put those questions to Treasury itself. I hope you utilise that resource.

**Mr HODGMAN** - Similarly with legal matters. Given that the game-changer that was, and is, MONA, it was appropriate and known to all interested parties that we might appropriately seek legal opinion as to the options available to government or indeed either party to progress their objectives. That has been well canvassed publicly by both MONA and Federal Hotels, their respective positions in that regard.

It was at a catalytic point where we thought as a government - and again, taking advice from Treasury as to the options that might be available to us - that we needed to supplement that with legal advice to understand the options available to the parties without compromising their interests. We have made it clear we are not inclined at all to do that but it was a chance to test the current market to see what their appetite was for altering those arrangements.

**Mr GUTWEIN** - Chair, with the Treasury resource certainly my expectation was that in regard to looking at issues or options or other matters that you could ask those questions and papers would be provided to Treasury. Obviously advice to ministers is not going to be provided but those questions and papers for the benefit of the committee can certainly be prepared and provided.

**CHAIR** - I have a few more questions on the EGMs but I am conscious of the fact that other members would like to ask questions.

**Ms COURTNEY** - Are we still on this term of reference?

**CHAIR** - Yes, on (c). If you have something in particular pertaining to that, please ask.

**Ms COURTNEY** - We have had lots of conversations around EGMs and casinos but keno has not been a big topic of conversation throughout this committee. Do either of you have a particular view on keno operations going forward? I was curious because it is not something that has been a big focus from the submissions we have had.

**Mr GUTWEIN** - I would have to say that if I have played keno a couple of times in my life that would be it. As a former hotelier, we offered no gaming in our hotel at Bridport. In regard to

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keno, there has been very little raised in respect of concerns. This committee has the opportunity to explore whether or not the tax rates are appropriate. As Treasurer you can imagine my interest in that, but having a look at what occurs around the country would be interesting to get the committee's view. Certainly from the point of view of concerns being raised about keno, I do not think in either government or opposition that I have ever had anybody raise any serious concerns.

**CHAIR** - There was a question about future taxation put forward by a couple of people that they did not think keno was taxed high enough. Are you waiting for us to come back with recommendations?

*Laughter.*

**Mr GUTWEIN** - This is for the post-2023 position. If the committee has a view about taxation across any of the gaming measures, whether it be table gaming, EGMs or keno, I will read them with interest.

**Ms COURTNEY** - My other question is about the guiding principles. You talk about new EGMs in venues being subject to a public interest test. Can you talk about what your thinking was with including that within the guiding principles?

**Mr GUTWEIN** - Since I have been a member of parliament this issue has arisen almost whenever a new venue has been proposed. It appeared to me, and to the Government when we discussed this, that it made sense that if a venue was going to have machines in an area the community should have more of a say. That was one of the reasons it was introduced. It has been a missing piece. Around April we are expecting advice back to Cabinet. That is being consulted on at the moment and will be locked down. I believe communities should have a say.

**Ms RATTRAY** - Treasurer, communities have a say around the public interest test. Would it be your view that there are no licences issued in perpetuity? It has been suggested that the licences that are currently in play should stay forever, but you can't have a public interest test if you are never going to have an opportunity to use it. Would that support that they have to have a 10-year licence, a 15-year licence, or whatever?

**Mr GUTWEIN** - I haven't exercised my mind to that. My thinking has been on the basis of a new venue at the time and a public interest test to be considered then. If that is a matter the committee wants to consider and bring forward, it is something the Government could consider.

**CHAIR** - I hear what you are saying about going forward, but I suppose from the committee's point of view we want to understand what the Government's position is on some of these things. If you don't have a position, that is fine, but if you have already then it helps guide us to what we want to do.

Andrea, I will hand over to you for term of reference (a). Could you please say what it is so people listening understand what you are referring to?

**Ms DAWKINS** - It is: 'consideration of community attitudes and aspirations relating to the gambling industry in Tasmania with particular focus on the location, number and type of poker machines in the state'.

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I am sure you are aware Australia has 21 per cent of the high-intensity poker machines in the world but only 0.34 per cent of the population. Currently, 3560 of those machines are in situ in Tasmanian communities. When poker machines first came into Tasmania there were only 460 machines - and never changing in 30 years - 80 per cent of the population did not want or were very concerned about the proliferation of poker machines. How do you countenance that dramatic increase in so few years? Do you really believe the community is going to accept that 3560 machines is the appropriate number for a state like Tasmania?

**Mr GUTWEIN** - That is a question that is before your committee. As a Government we have outlined our policy position on the number and the cap, also in respect of how machines in the new venues might be dealt with. If there is a concern within the committee, that is a matter for the committee to provide evidence and data and to make a recommendation.

**Ms DAWKINS** - If the ministerial statement is Liberal policy - and we already have 30 machines more than in the ministerial statement - would you apply the public interest test to remove poker machines because there are already more than you have suggested is the cap amount? Can we retrospectively apply the public interest test? The public interest clearly states, from all the polls for 30 years, that people do not want to see this many poker machines in Tasmania.

**Mr GUTWEIN** - What will happen, if the policy position we provided is implemented in 2023, there will be 150 less than the current cap. The industry is obviously well aware of the Government's view. Again, there is an opportunity for the committee to provide its views and its thinking in regards to that.

**Ms DAWKINS** - So you do not have a view at all? You are just waiting for the committee to make recommendations?

**Mr GUTWEIN** - We have put a policy view, and our view is that the current cap should be reduced by 150. That is being tested by you as a committee.

**Ms DAWKINS** - Thinking back then to the Liberal policy of the \$1 bet limits, when did you change your mind about that being a good idea?

**Mr GUTWEIN** - For this committee, the Liberal Party's view in regards to bet limits a couple of years ago really should have no bearing, to be frank. You have the opportunity as a committee to make recommendations in regards to spin rates and to bet limits. That is your purview now. You have that opportunity as a committee to make those recommendations.

**Mr HODGMAN** - We took a policy position on that to an election that we did not win. The parliamentary committee subsequently reported on that and other matters, and we formed our policy position on the basis of that committee's determination.

**Ms DAWKINS** - The Treasurer has suggested that problem gambling has fallen by 25 per cent and this should temper discussions of the location of high intensity EGMs in Tasmania. Are you aware that the sample size in the third SEIS was just 23 individuals, and that it is widely accepted that the proportion of adults experiencing the most acute problems has, in fact, not changed at all?

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**Mr GUTWEIN** - In all that I was commenting on at the time, was, I think in the first SEIS, problem gamblers were 0.5 per cent of the population, 0.7 per cent in the second, and in the last SEIS, back at 0.5 per cent. Based on those percentages, obviously it can be represented that there was around a 25 per cent decrease. In regards to the conduct of the SEIS, that is a matter for the consultants. What I stated was a statement of fact.

**Ms DAWKINS** - Based on 23. I think it was suggested that it was not a big enough sample size to draw a conclusion for the whole of the state. We have heard many submissions from people who consider that what is, in actual fact, happening is that problem gamblers are losing more money now. There might be slightly fewer of them, but they are actually investing more money in poker machines. They are in poorer communities. It is impossible to get away from the fact that even from somebody far outside this, looking in, there is a flow of money from the poorest in the community into one Sydney family through poker machines in Tasmania.

**Mr GUTWEIN** - Can I just say, and again the opportunity that the committee has in front of them, if you believe that there are issues in regards to the SEIS and the data capture they can be raised. This is the first opportunity that the community, and certainly a parliamentary committee has had the opportunity to explore any matter in regards to gaming in the state. If there are concerns that you have, which you hold, then I hope you would be discussing them with me.

**Ms DAWKINS** - I just have one more question then. Will you completely rule out that the Liberal Party will take any more donations from the Federal Group between now and the state election?

**Mr HODGMAN** - I do not think we have taken any for some years.

**Ms DAWKINS** - You put on record that is not going to happen?

**Mr HODGMAN** - It is a matter for the party, of course, but I think I can say confidently that at least for the past two financial years we have not received a donation.

**Mr GUTWEIN** - Are the Greens nationally going to take money from gambling? Seriously, I know you can sit there and nod your head at me, but with the greatest of respect, that is a little hypocritical when the Greens nationally take money from gamblers.

**Ms DAWKINS** - Not having a lot of influence over the last 30 years in Tasmanian politics and policy, I would not have thought, but yes, I get your statement. Thank you. I am done.

**Mr HODGMAN** - It had no influence over our policy position as well.

**CHAIR** - I ask members to stick to the terms of reference when directing questions, please.

**Mr BACON** - Back on that, if we are still on that term of reference, when it comes to the 3530 machines that were in place in March of last year, have there been any new machines since then?

**Mr GUTWEIN** - I think about 30.

**Mr BACON** - And is that just one venue?

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**Mr GUTWEIN** - My understanding is - and correct me if I am wrong - that within the cap venues will flex at times. I have just been informed that at that time there were existing venues where the machines were out of the venue because of maintenance and renovation and then been put back.

**Mr BACON** - In the years before 2023, if the machines go up to the cap - and 150 machines have to be removed to get down to what your policy position is - how will you do that?

**Mr GUTWEIN** - In finalising our policy, if that remains as the final outcome, we have six years from -

**Mr BACON** - I mean if they don't go in.

**Mr GUTWEIN** - There would be a discussion with government and we would set a policy in regard to it. I think industry more broadly, knowing there would be that cap in 2023, would be mindful of making future investments in venues on the basis there was a cap in place.

**Mr BACON** - So you don't think they will try to get the machines in place and then effectively get rid of them rather than -

**Mr GUTWEIN** - Should we get to 2023 and there are more machines in the industry, and the Government wants 100 machines out, I think it would be very difficult for anyone in the industry to claim they were not aware that those machines should not have gone in.

**Mr BACON** - Would it be the new machines that would go out?

**Mr GUTWEIN** - That would be a matter for discussion with industry.

**Mr BACON** - So only with industry? You wouldn't use your public interest test to work out which machines should go?

**Mr GUTWEIN** - I think that consultation would occur in the ensuing period after 2023. There is plenty of time to land on what the most appropriate policy mechanism is for arriving back at 150 fewer than the current cap.

**Mr BACON** - So you would make the decision in 2019 and then work out the detail in the next four years?

**Mr GUTWEIN** - There would be plenty of time to ensure that. Anybody with a venue would have a mind to ensuring they understood whether they would have a reasonable period of investment in front of them if they were to introduce any more machines.

**CHAIR** - Does the Government have a view to the suitability of the EGMs currently employed in Tasmania, or is that something again you are waiting for? It has been suggested to us there are other machines that don't have that intensity issue to them. Do you have a view on that?

**Mr GUTWEIN** - My understanding is that our machines meet the national standards, although I understand that concern gets raised. In the absence of a committee such as this in formulating a policy going forward, it is probably be a question we would ask and answer

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ourselves. But this is an opportunity for the committee to consider whether there is any validity in that claim and to consider what occurs in other states and jurisdictions.

**CHAIR** - If the Government called for a market mechanism to be applied for the future allocation of EGM licences in pubs and clubs, does the Government intend that the same tender process should be applied to EGMs in casinos? If not, what process should licences for EGMs in casinos be granted?

**Mr GUTWEIN** - The Government's policy position is that EGMs in the casinos, up to the current cap that exists, would remain with the Federal Group. When considering the licence associated with the casino and the gaming licences associated with keno, EGMs and table gaming, we hold the view that Federal has been a very good corporate citizen over a period of time. To put out to tender casino operations when you have an operator that has a significant cost, in any tender arrangement for casino business the incumbent would have an enormous advantage as the starting point. Second, we could see no reason as to why we would cause that disruption.

**Mr HODGMAN** - The MONA proposal obviously does not involve or include EGMs.

**Ms RATTRAY** - Treasurer, there has been an indication from your Government that you support a second casino licence in the north of the state. Has there been a cost-benefit analysis conducted? If so, what did it show, and if not, why not?

**Mr GUTWEIN** - One, we do not know whether the market would sustain a second high-roller casino in the north of the state, but I think it was prudent. Obviously the north and the north-west of the state have growing economies. Between now and 2023 the place and shape of the north will be different and we wanted to preserve the option, if you like, as to whether a high-roller casino in the north of the state should be available if we felt there was a market need for it.

**Ms RATTRAY** - This might be a bit left-field, but have you had any expressions of interest thus far?

**Mr GUTWEIN** - No, I have not. In the ministerial statement I indicated that the Coordinator-General would field any enquiries. Certainly I have not and I do not believe the Coordinator-General has. I am happy to check that, but my understanding of where the broader industry is at at the moment is that they are waiting for the outcome of this committee. It would be pointless for anybody to make any form of firm proposal or consider options at the moment. This is very much a live debate as you go through your work and provide recommendations.

**CHAIR** - There are plenty of committees playing in this space at the moment.

**Mr BACON** - We have received evidence, and I think it came initially from Federal Hotels and then others, that if there was a casino licence granted to MONA, effectively the extension to Federal's casino licences should be at least as long as the term of the lease for MONA. I wonder if you have any comments on what you expect the length of the licence for Federal to be and also for MONA in that context.

**Mr GUTWEIN** - One of the guiding principles I touched on both today and in my ministerial statement was that the term of the licence should be commensurate with the level of investment to support it. It was broadly around those sorts of terms. In my and the Government's thinking at the moment, we do not have a set term for a MONA licence, if you like. Again, for

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that type of bespoke operation, I would be interested in any advice from the committee through recommendations as to what might occur in other jurisdictions.

**Mr BACON** - For the MONA casino and also on the two Federal casinos as well?

**Mr GUTWEIN** - It would be the Federal option; there is no advice before me in regards to what an appropriate term would be.

**Mr BACON** - Do you think it appropriate for the community to make a recommendation around that?

**Mr GUTWEIN** - It is not so much the community but this committee that will make the recommendations. You have the opportunity to seek advice from Treasury, DPAC and independent consultants to consider what the future gaming market looks like, including the term of licences, so it would be a perfectly appropriate thing fully informed for the committee to have a view on.

**Ms RATTRAY** - I am just thinking through exactly what the Treasurer said then, but how does this committee and, in this case, me as a member of this committee, weigh that up? The licence that had been issued and extended to the Federal Group was done because they made some very significant offers to the community and the government of the day took up those offers - and I instance the development on the east coast, Treasurer. How do we weigh up that sort of arrangement when that was something that was done directly with the government of the day and was accepted? It is a magnificent infrastructure. How do I and the committee do that in regard to the question the member just asked?

**Mr GUTWEIN** - In regard to the investment that MONA might bring forward, and I am not certain whether or not Mr Walsh will be providing that sort of commercial information to the committee.

To satisfy the committee, I would have thought that there should be some form of cost-benefit analysis in granting a casino licence or a venue licence for a period of time. That would enable a view to be formed in what I think is the right guiding principle, which I will go back to again: the duration of a gaming licence should be commensurate with, among other things, a level of investment necessary to underpin the delivery of that operation.

We would need to take advice on the investment and consider what the term might be. Whether it be Mr Walsh, Mr Farrell or somebody else, they will be making decisions based on the level of return they think is appropriate. As a Government, we need to make decisions on what we think is an appropriate term based on that level of investment.

**CHAIR** - Thank you. We might move on to terms of reference (b). Tania is taking the lead on that.

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

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

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

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

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

**Ms RATTRAY** - Our job is getting longer and longer.

**Mr GUTWEIN** - They are all matters the Government would need to consider through this process. You want to be certain you are adequately resourced to deal with these sorts of things, but I am interested in your views on that.

**Ms RATTRAY** - Perhaps you can put a couple of extra hours in the day, Treasurer. It looks as if I might need it.

Following on with support services and maintaining those, it has been suggested the economic modelling conducted in the current reports qualifies the costs associated with problem gambling, for example, the deterioration of health and wellbeing, reduced workforce productivity, and the cost of maintaining services. Have these costs been considered in the policy debate on the proliferation of EGMs in low socioeconomic areas? Are you aware that has taken place?

**Mr GUTWEIN** - Up until now, and the statement last year, the community interest test as to where an EGM facility or a hotel was situated has not been applied. It would be difficult to argue that a voice from the community has been able to raise those matters, but I do not think - Mr Root said that a number of the harm minimisation measures were discovered as a result of the early SEIS work. The opportunity is here right now to look at what is currently occurring and to make recommendations as to what could be done to improve things through access to information and in respect of harm minimisation.

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**Ms RATTRAY** - It has also been suggested that looking at an aggregate of what is happening around the state does not give a real picture of what is happening in some of those lower socio-economic areas. Is there something we should be doing in regard to drilling down into those lower socio-economic areas more, or are we already doing that, in your understanding?

**Mr GUTWEIN** - In the last SEIS, the lower socio-economic LGAs were looked at, the Local Government Areas. Some work has been done, but whether the community thinks that is enough is a matter the community will bring -

**Ms RATTRAY** - Whether we need to drill down further into those areas. I was talking to one of my local government areas over the last couple of days and mentioned I would be heading down for this conversation today. Straight away this person said, in this particular local government area, no problem. We hear a lot about the Glenorchy area, for instance, and I sometimes feel they are picked on a bit about the issues there. You have a different patchwork of views around the state. That is hard to reconcile. No problem there; big problem here. How do we reconcile that? That is what I am struggling with.

**Mr GUTWEIN** - It is a fair point. I read Mr Root's contribution. I wonder whether it would make sense for the committee to have access to either one of the consultants that has run the SEIS in the past, or some further assistance from Treasury in regard to understanding the broad spread of it.

**CHAIR** - We will write to you about that. That would be good.

**Ms RATTRAY** - Thank you for the offer. It is a difficult issue to grapple with. You have some parts of the state saying, 'We are okay. We are fine. We are handling the issues that we have', and other parts are saying, 'No, we have a really serious issue here and because of that, we want to see EGMs completely removed.' Weighing this up as a member of this committee is not an easy task to undertake.

**Mr GUTWEIN** - If you want to write to me, we would be happy to provide some further briefings or information based on that work.

**Ms RATTRAY** - Is the participation level heavily skewed towards the lower socio-economic groups? Is that a matter of policy concern for you, that you will have to make a policy for the whole of the state? How do you see yourself doing that, Treasurer, and your Government?

**Mr GUTWEIN** - One of the issues here is we are the first government that has said there will be a public interest that is applied to the placement of EGMs. The matters you raise have been a concern for many people for a long period of time. I do not want to segue the committee, but one of the more concerning aspects of gaming we are going to have to face up to by 2023 is going to be what happens on mobile phones. That is an area the Government has very little view on.

**Ms RATTRAY** - And no control over.

**Mr GUTWEIN** - It is going to be very difficult.

**Ms DAWKINS** - The Norway study shows that when the Norwegians took EGMs out of the community completely there was very little increase in online gaming, which was a surprise to

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everyone. There are some studies being conducted and the purview of this committee is to look at EGMs in our community as well as future market structure. That is something we are trying to focus on: what is happening here and now and not what might happen as a by-product of any future policy.

**Mr GUTWEIN** - I am not suggesting that if you remove all EGMs we are going to see a spike. I am suggesting we are seeing a spike now.

**CHAIR** - There was a certain demographic, a young male 25-35.

You mentioned earlier, Treasurer, about recommendations that are evidence based, and that makes sense. Do you believe the social and economic impact studies that have been provided - and the fourth one is coming up - that is evidence now? It has been suggested in the past that evidence hasn't been used to inform public policy but now there is enough years of those studies where it should be.

Some of the evidence we have from those impact statements clearly show we have to do something about the location and placement of some of the EGMs we have at the moment. We just cannot sit by and say, 'we have nine venues here, they are all allowed 30, so we are going to leave 270 EGMs in that space for ever and a day because it's in perpetuity'. If we are suggesting the impact studies are evidence based - and that is what we are hearing - if this committee comes back with, 'these are the recommendations based on that as evidence', I hope the Government says, 'yes, we accept that evidence and now it's up to us as a government to make some of those hard decisions on how to manipulate those numbers so we don't have the 270 machines in Glenorchy when they probably don't need that many because of the impact it is having on it.

**Mr GUTWEIN** - The one thing I am not going to do today is set government policy on the run. As to the matters you are raising, as the Premier has said, we will consider recommendations and seek advice on them. The point the Premier made is that we are very ready to consider those recommendations.

**CHAIR** - The evidence provided in the impact studies of the percentages and whatever, is that evidence you would accept as now having background and some legitimacy? With the first couple there may not have been because it was a new ball game.

**Mr GUTWEIN** - That will be one source of data and I am sure there are other sources of data and there will be other views on those matters. It will be up to the committee to balance and weigh up that evidence.

**Ms RATTRAY** - Treasurer, we have had some evidence from Clubs Australia, representing the clubs in Tasmania, asking for an opportunity for them to have a licence at a reduced rate or in perpetuity to really recognise the value and the contribution that they provide to their community e.g. their bowls greens and the like. Do you have some sort of sympathy towards that view? They're different from pubs. Pubs provide a different service.

**Mr GUTWEIN** - I am thinking of one particular club in our electorate that is doing fantastically well. In fact, a lot better than some of the pubs are doing. Different venues will have different outcomes.

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We have provided the opportunity for the committee to look at the range of fees and taxes, a whole range of matters in relation to what venues might pay. Again, it will be up to you in regards to recommendations. You can probably think of the one club that I am thinking of that has set a new benchmark in our electorate and the others are chasing it pretty hard at the moment.

**Ms RATTRAY** - Thanks, Treasurer, I would say that is a yes.

**CHAIR** - Going back to both Andrea and Tania's questions, the fact that EGM participation is heavily skewed towards lower socio-economic groups, is that a matter of policy concern? I am just trying to understand how your policies evolve. If you recognise - and there is evidence to suggest - that lower socio-economic groups more heavily favour gambling and there is synergy out there, how do you marry that into your policies? Or where within your policy framework would that fit?

**Mr GUTWEIN** - One of the things in regards to the policy framework, and whilst there are some who would have a view that some venues should just be shut down overnight, we take the view that those venues in many cases have families that have invested all that they have to build those venues. Business people, small business people, have invested significant capital. So in formulating our EGM policy in regards to the reduction of the cap obviously one eye was in the rear view mirror on the basis of decisions that have been made quite lawfully in respect of the current arrangements that are in front of them. People have invested money and I am certainly of the view that needs to be recognised. Then looking forward, which is why we introduced the public interest test, was to ensure that there were greater considerations in the future.

**CHAIR** - The economic modelling examines the contributions of EGMs to the Tasmanian economy and employment. The scale of benefits is shown in the SEIS report to approximately halve when the model is adjusted to account for the likely possibility that Tasmanian consumers would switch their gambling expenditures into spending on other recreational entertainment goods and services if EGMs were no longer permitted in Tasmania. So, are the benefits of EGMs worth the social cost?

It has been put to us, and even you kept saying the businesses and the hospitality industry and the venues have put a lot of money in and invested that. What about the jobs there? It has actually been put forward to us more jobs would be created within our community because there will be more finance available that is just not going through a machine. So that is one of the things that we will be working on the committee as recommendation and finding. Okay, thank you.

**Ms RATTRAY** - I think he just answered his own question. Are you just trying to get it on the record?

**CHAIR** - We have heard it here. It is part of the deal. We can't just say that because people put money into a venue that they should have the right, that if the money would be spent in other places if people were not throwing it into those machines. That is what has been highlighted through the SEIS reports.

**Mr GUTWEIN** - Again, that is a matter for you to inquire into and consider and if there are recommendations that you want to make around that, that is entirely a matter for the committee.

**CHAIR** - Can you just say what it is in reference to?

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**Mr BACON** - Terms of reference (d) involves an assessment of options on how marketplace mechanisms such as a tender to operate EGMs in hotels and clubs could be framed. Do you want to make any comment on what you see as the way the tender would go?

**Mr GUTWEIN** - I have a completely open mind in respect of what that might look like. There is no doubt any tender process comes with a cost, as you would well be aware from your previous role. You must ensure it is framed up so the outcome provides in a regulatory sense the opportunity to manage it appropriately without significant increased costs, and from the industry's point of view that you do not put to tender a model that, at the end of the day, you are not going to have sufficient people bidding for. There are a range of options. We think testing the value to the market is appropriate but as to what it looks like, I am completely open-minded at the moment.

**Mr BACON** - When it says in your guiding principle document that the returns to hotels and clubs and the community should be at least in the same position they are today, is that a guide rather than a firm principle?

**Mr GUTWEIN** - At the moment the apparent breakdown, if you like, of the revenue that is generated is broadly one-third, one-third and one-third. One-third is to the government and the community through the government, one-third is to pubs and clubs and one-third to the network. There are different models I am aware of that operate around the country where there is a network backbone, but that comes with a significantly lower cost than one-third of the revenue. Then again, it depends on what happens with the individual venue models as well which operate around the country.

**Mr BACON** - So we can take it today, given that you have left the network out of that statement, that they will be in at least the same position as they are today, and you see the network receiving less of the revenue and more of that going to the Government and the operator.

**Mr GUTWEIN** - From the point of view of a guide, I would like to see pubs and clubs get whole, and certainly the return to the community through the Government gets whole. There is only so much that can be shared up.

**Mr BACON** - Do you have a position before 2023 when it comes to the data that is released by the Government about the takes from the individual venues, and whether it would be appropriate to release more data so people had a better idea of where the money was coming from?

**Mr GUTWEIN** - I am just getting confirmation through LGAT which has information put out through the local government area. I have not really exercised my mind to that in respect of whether or before 2023 or even post-2023 what information would be provided. I am not certain what happens in other jurisdictions.

**Mr BACON** - It was suggested to us that Victoria provides venue data on a monthly basis and that could be easily be done in Tasmania in the short term to inform public debate.

**Mr GUTWEIN** - That is the first suggestion that has been made to me. I have not given any consideration to that.

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**Ms COURTNEY** - Around the marketplace mechanism, we have heard a view from the Tourism Industry Council regarding the importance of sustainability of pubs, particularly in regional communities because of what it does for the community as a meeting point but also from a tourism perspective. Often it is the only place in town that is open for a meal on a Sunday night. We know that we have had good tourism numbers recently. Do you have any sympathy to the view about needing to support, if there was a market base mechanism, the sustainability of those regional venues?

**Mr GUTWEIN** - When I say market base mechanism, really what I am talking about is the opportunity for the licence, if you like, and the network to be considered. As to the issue of pubs and clubs, I am not sure if by introducing a tender process you would put those pubs and clubs at risk. It really depends on what the model is at the moment. I do not believe they get any free kicks at all under the current model. To be honest, I have not exercised my mind to whether there should be a two-tiered level, which I suppose is what you might be suggesting. I have not given that any consideration.

**Ms COURTNEY** - As to what the chair was saying before in terms of job creation and other benefits, sometimes particularly in regional communities it is hard to gauge because a lot of the benefits in regional communities are not necessarily economic. There are lots of social benefits that these pubs and clubs provide their community. We have heard evidence before us, and I know people who have actually spoken to local publicans have said they need their EGMs to continue being sustainable and continue supporting their community and the tourism industry.

**Mr GUTWEIN** - There are hotels like the Bridport Hotel which supports football clubs and a range of other things, and their machines would obviously be a part of their revenue mix. I am not certain what percentage that might be. I know there is a club just down the road we were musing about a moment ago that has demonstrated that with a different focus and look they can have a wildly successful business.

**Ms RATTRAY** - A booked-out successful business.

**Mr GUTWEIN** - It is a matter for individual hoteliers in regard to the mix. Having run a hotel, albeit one that did not have gaming but had a range of different revenue streams such as accommodation, meals, a bottle shop, et cetera, I know it is difficult in regional areas. I am certain that for those pubs and clubs that have machines it would be an important revenue stream, as I am sure they have expressed.

**Ms RATTRAY** - It is interesting that the new Victorian model has a system of progressive taxation arrangements.

**CHAIR** - How can a tendering arrangement realistically be put in place when the policy all but explicitly states there will be no losers from the current arrangement in terms of caps on EGMs? How do you see the tender process operating?

**Mr GUTWEIN** - I would have to say I would be surprised if Federal Hotels were of that view, because it is effectively their network under the deed that we are talking about tendering. It depends on what the most appropriate arrangements are, whether it is managed on a single-venue basis or whether or not there is a network backbone, but there are other models as well. As I have indicated, it is complex and challenging, but from the Government's point of view we are determined that we want to test the value through the market of this licence.

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**CHAIR** - Is there a material trade-off between improved efficiency through having multiple independent licence monitoring operators versus potentially higher compliance and regulatory costs to insure individual operators?

**Mr GUTWEIN** - Peter Hoult would have made the comment, I am sure - he certainly did to me - that while the current system has its critics, at the end of the day it is an easier model to regulate, run and deal with. Different models will have different costs; there are no two ways about that.

**CHAIR** - Onto consideration of future taxation licensing arrangements informed by those other jurisdictions. Treasurer, has your Government looked specifically at other jurisdictions with regard to the opportunity for change? You said this is your policy post-2023, have you looked at other environments for some guidance?

**Mr GUTWEIN** - At the end of the day, I am the Treasurer. You look at tax rates and you see the highest one and think, 'That's not a bad thing to aim for', but I have a completely open mind. I have not received any modelling at all to say, 'Here is the venue situation, the number of EGMs we have and the turnover in Tasmania. If we applied the South Australian model to this, this is what it would mean'. I don't have that advice before me. I hope the committee would utilise Treasury for this very purpose, in enabling it to form a view. I can have that modelling done but I have not said, 'I am utilising these assumptions. Let's apply the different jurisdictional tax rates and see what the best outcome might be'.

**Ms COURTNEY** - From a process perspective, if the committee was of a mind to request those things, would we simply request them through you to be considered; for modelling to be made available to the committee?

**Mr GUTWEIN** - What I had in mind - and it appears this may not be what has occurred - a number of years ago we had a Treasury resource that was made available to the committee. An individual who worked with the committee and we would feed any questions through. They would provide the modelling or would seek for that to occur. If you would like that arrangement to be established, I am more than happy to discuss with the secretary how we could do that. Those questions about tax, interjurisdictional models, I am more than happy to allow some of the work to be done - or conversely, if you wanted to use an independent consultant -

**CHAIR** - We thank the Government and the Treasurer for providing the finance. We have been working with an independent consultant and he has been very helpful in providing us with some guidance. We will be meeting with him again. That funding has been well received and well utilised. Parliamentary Research has also been exceptionally helpful in finding information about other jurisdictions.

Premier, we have looked at casinos in areas that had some commonality with the Tasmanian system, whether it be the number of EGMs or a small regional area. Do you have access to conversations about the impacts of gambling and EGMs when you are travelling? The Treasurer mentioned impacts of future gaming issues with online gaming and so forth. Does that come across as a premier's discussion in parts?

**Mr HODGMAN** - There is no reason it couldn't, but as far as I can recall it has never been a matter on the COAG agenda. It would have been canvassed at ministerial council meetings of

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treasurers, possibly health and human services ministers. Along the way I would have had casual conversations about matters such as this, but it has not formed part of the first minister's national or COAG agenda.

**CHAIR** - Going back to one of the earlier comments, one of the guiding principles was that it has formed part of the social fabric of Tasmania, but EGMs have not been here for that long if you look at gambling, as such. We are not looking at the Melbourne Cup, but EGMs, and whether what happened in the late 1990s has given us what was expected back then. Many people thought the club situation that happens in New South Wales, where there were a lot of EGMs in clubs, and all that money would be going back into that community, whether it be a bowling green, cheap meals for seniors, that sort of thing, I think that is how people envisaged it.

We are only so many years down the track. As has been pointed out to us, now is the time for us to assess whether we want future Tasmanians having access to EGMs because of the concerns they raise in the community. This the chance to do it. It is the weighing up of those ills and benefits that is important - I do not think it is part of our fabric - but, if we linked onto this for the next 20 years, it will be.

**Mr HODGMAN** - I suspect, and the Treasurer can speak more directly as to what the conversations treasurers and gaming ministers had in this national debate, we are left to our own devices as sovereign states in a federation.

It does occasionally trickle into our space when we are talking about things such as the GST carve up and competition payments. These factors can influence that as well, not that it should be a principle consideration. We are a sovereign state able to make its own decisions as to the future of this kind of activity. There is clearly a difference across states as to the models they apply or what methods of gaming they allow. It is within our capabilities to do what we think is in the best interests of the people of Tasmania and future generations.

**CHAIR** - Take Western Australia, for example, where they do not have EGMs in pubs and clubs, they are confined to the casinos. It has been presented to us that they still have social ills from gambling but not to the degree we are experiencing here. In other states where it is part of the - you cannot walk within 300 metres of a hotel, perhaps I am singling out the north because there are a lot of them there, without running into an EGM. That is a problem if you have a gambling problem. In Western Australia, you would have to go to the casino to be involved in that. Do you believe the Western Australian experience, or have you had any discussion about Western Australia's principle, where they do not have the amount of problem gambling? Some of our social service groups have told us that it is a problem and now is the time to get our state out of that problem.

So, on your policy guidelines where you are going back, you are going to take out 150 EGMs out of the community by 2023, that number could be 1500. You simply picked a number because you already have so many licences out there, or they were the numbers not previously arranged to be taken up? How did you come up with 150?

**Mr GUTWEIN** - That was the number of machines that were in the marketplace at that time. You have a view on these matters. My personal view is that the vast majority of people are able to gamble responsibly. Even the SEIS, and I note your concerns with sample sizes, does indicate the vast majority of people are gambling responsibly. What you are talking about is removing a choice for many people who are responsible. If that is a position the committee wants to land on

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and is prepared to defend that through data and evidence then that is the recommendation that obviously is open to the committee. My sense is that the vast majority of people are quite able to gamble responsibly.

**Ms DAWKINS** - It is the only form of gambling that uses conditioning techniques, which have clearly been used to psychologically trick people into considering they are having a good time when we know they are simply losing money. It is not like other forms of gambling. I do not think you can measure high intensity electronic gaming machines against any other form of gambling on the planet and say this is a reasonable and legitimate and fair form of gambling, when it is very clearly not. They have changed so much in 30 years. They used to be 'play one game at a time', and now there are numerous games being played at the same time, with losses disguised as wins and it is only going to become worse. It is not going to be easier for players who are hopelessly addicted. It is only going to become harder, because there are thousands of patents every year going to the patent office, trying to extract more and more money from people. I believe it is a legitimate social concern.

**Mr HODGMAN** - The constancy in the sport gaming space you see on TV or the internet - and, frighteningly, my kids come into contact with it - where there are similar techniques. It is not just gaming machines that might adopt sophisticated methods of engagement. If you look at what is happening on commercial television with gambling on sports events during a sporting event it is constant. During ad breaks there are invitations to engage in that space on your phone, or however you do it.

**CHAIR** - It was presented to us by one of the people scheduled for the hearings that they asked five-year-olds in Victoria or somewhere if they could tell them three different types of online betting. They watch the footy.

**Mr ARMSTRONG** - The committee has heard a range of views about the best model for licensing gaming machines in pubs and clubs after 2023. Your position paper lays out two options: the current single-operator model, or an individual venue ownership model under the common network control platform. Last month, Treasury and the Gaming Commission both expressed a strong preference for the single-operator model. Do you agree with Treasury and the Gaming Commission, or do you have a preferred model?

**Mr GUTWEIN** - No preferred model. I have a preferred outcome, and that is that the value of the network is tested and that we take that to tender. There are a range of different models in operation around the country. As I have indicated to the committee, my understanding from the Gaming Commission is that they do see a single network model, as we have at the moment, an easier model to regulate. That is a particular view.

There are other options operating in other parts of the country and they will come with different benefits and costs. This is an opportunity to consider what might be the best model for Tasmania and the best way to take it to the market. We want to take it to the market. As a government we could do that work and form a view but what I am hoping is that this committee can consider what is in the best interests and make some recommendations.

**Ms RATTRAY** - In regard to the current tax rates, and you may have to take this on notice, Treasurer, do you know how they compare to those paid by Wrest Point and Country Club compared to other venues, say something similar such as Townsville or Cairns?

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**Mr GUTWEIN** - I have never run a model and fed in assumptions and said, 'How much tax would we get out of this particular model?'. I have looked at what the tax rates are in other jurisdictions but I don't think I have ever received advice that we apply this model.

**Ms RATTRAY** - Do you think we would be comparing apples with apples? Or would we be doing the apples and oranges thing?

**Mr HODGMAN** - It is very hard to, isn't it.

**Ms RATTRAY** - They are similar sized casinos, that is my understanding - and I haven't been to either of the casinos up there. I understand they are a similar size to what we have in Tasmania. It might be worth doing that exercise and we might take you up on the Treasury modelling offer.

**Mr GUTWEIN** - We are happy to consider and do any work you would like us to do in that space.

**Ms RATTRAY** - It might be cheaper than going there and having a look.

**Mr GUTWEIN** - If we see six of you off on a plane, we will know where you are. I expect that through this process there might be a number of different models that you would like to have tested, certainly in regard to EGMs. A single network model with individual venue ownership, moving right away from a single backbone and looking at how we might regulate individual venues. Those sorts of things would all come with different costs. The tax rates in other jurisdictions, especially in regards to those models, will be set depending on what their government of the day has decided they need to raise to get the outcomes they want.

**CHAIR** - On that, it has been suggested to us that they could look at a progressive tax or a sliding scale on gambling revenue from EGMs appropriate. Is that in some of the areas -

**Mr BACON** - The Elwick Hotel, for instance, would pay a lot more than the RSL down the road that does not make anywhere near as much?

**CHAIR** - Yes. That is something that you have not put your mind to, because it has been presented to us -

**Mr GUTWEIN** - Yes. As part of the modelling, we could consider that sort of arrangement, consider looking at what the outcomes might be.

**Mr HODGMAN** - Based on revenues, is it?

**Mr GUTWEIN** - Based on revenues.

**Mr BACON** - The turnover of the machines.

**Mr GUTWEIN** - The greater the turnover, the higher the rate of tax that you pay - similar to the progressive income tax system that we all operate under.

**Mr BACON** - The higher rate of tax.

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**Mr GUTWEIN** - Yes.

**Ms COURTNEY** - The term of reference for (f) is: 'A review of harm minimisation measures and their effectiveness, including the community support level.' Treasurer, in your ministerial statement, you said:

This Government considers that the community support level, 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 interests and meeting requirements of the community.

Do you have a view whether the CSL is high enough, or is that something you would like to see explored in terms of increasing it?

**Mr GUTWEIN** - There is no doubt that you would receive a lot of information from organisations that utilise CSL funds and also provide support for different community members as a result. My view would be they are best placed to make the judgment as to whether the CSL -

**Ms RATTRAY** - They never get enough money, Treasurer. You ask them. Never.

**Mr GUTWEIN** - They may have already answered that question. In the Government's mind, we are certainly not considering a reduction in the CSL. That has certainly not been part of our thinking. The question has to be asked, the use of those funds and the way that they are applied, are they providing the outcomes that we are looking for?

**Ms COURTNEY** - Do you think there is the ability or the thought from Government whether the CSL should be extended to casinos, to EGMs within casinos?

**Mr GUTWEIN** - That has been a matter that has been raised with me over time. Certainly from - in fact, the hotels and clubs themselves would have a fairly firm view on that, I would think. At the end of the day, again it is a matter for the committee to consider and make a recommendation.

**Ms COURTNEY** - We mentioned just before talking about the actual level of the CSL, in your statement, as I just said, you talked about meeting the requirements of the community. Are you open-minded to the CSL scope of where it is actually delivered being broadened? Should that be a recommendation of the committee?

**Mr GUTWEIN** - Are you talking about the percentages, so 25 per cent to the benefit of the sport and recreation clubs, 25 per cent for the benefit of charitable organisations, and then 50 per cent for the provision of research into gambling services, the prevention of compulsory gambling, treatment or rehab, community education concerning gambling and other health services? Looking at those percentages?

**Ms COURTNEY** - Yes, looking at those breakdowns.

**Mr GUTWEIN** - I have an open mind. If there were to be a recommendation, I would consider it. You made the point that it is never enough, it is always challenging. Certainly if there were to be a different percentage share of the pie and if the committee had a view about the size of the pie, that is something that committee could recommend.

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**Ms COURTNEY** - It might be a challenge wearing the Treasurer's hat for this one, but in terms of either taxation arrangements or even the allocation of EGMs, do you or Treasury have a view on whether it is appropriate to look at harm-minimisation measures by operators of EGMs in the mix of taxation levels? Some people have suggested that if people are able to either by a market based mechanism to allocate EGMs or from a taxation perspective, whether or not from an allocation you would look purely at the numbers or whether you would say, 'This operator is coming to the table with a whole lot of other harm-minimisation measures and therefore we might look at that one more favourably'. I wanted to see if you had an open mind to that.

**Mr GUTWEIN** - As to how the tender is framed up at the end of the day, I would think it would obviously take into account the benefits to the community including harm-minimisation options. You would look at the type of returns the Government would be able to pass on to the community through taxation and what the cost would be associated with the regulator in the model as well. As part of that offering, when it is finally scraped up, all of those matters would play a part and would need to be answered by those who wanted to engage in this space.

**Ms DAWKINS** - People making money out of poker machines are never going to really want harm minimisation because it is going to reduce their income. Whether it is bet limits or the way the machines are designed, Liquor and Gaming have a view that the next step they would like to look at is the way the machines are designed and make some clear recommendations about that. Do you think there is a role for either of you or other ministers to play in trying to negotiate that space? We understand that people making money do not want to make less, of course they don't, but unless we can start making inroads into how we can reduce the harm, as I have said before, it is only going to get worse. Do you have a view?

**Mr GUTWEIN** - I do. You are unfairly judging many publicans and licensees. I think many of them would have their community and the interests of their patrons in their mind.

**Ms DAWKINS** - They do not design the machines or have any input into that, though.

**Mr GUTWEIN** - No, but I am certain they would have a view and I think it is unfair to characterise all licensees and publicans as only being interested in money.

**Ms DAWKINS** - I am not talking about licensees and publicans, I am talking about Network Gaming and Federal Hotels.

**Mr GUTWEIN** - Right.

**Ms DAWKINS** - They do not have any input into the way those machines are designed, they simply lease them.

**Mr GUTWEIN** - I thought your position was that you wanted all the machines in the casino.

**Ms DAWKINS** - We want them reduced over a five-year period. We want to offer some sort of arrangements.

**Mr GUTWEIN** - Do you want them in the casino?

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**Ms DAWKINS** - Personally no, certainly not. The[?? sounds like senate! 3:58:40] has turned into pokie barns, we have all seen that. They used to be something else. I worked in the Launceston centre [??] when it very first opened. It was a very different affair than it is today.

**Mr GUTWEIN** - Sorry, I honestly thought that your party position was different to that. This is an opportunity to make recommendations on all matters. The Premier said initially that this is the first opportunity where the future of gaming post-2023 has been on the table. If the committee has a view and it wants to back that with data and evidence and bring it forward in regard to the matters you have just raised, or any other matter, that is the purview of the committee.

**CHAIR** - I want to know about the deed of agreement that was reached in 2003 or signed off on - the government's agreement with Federal, however that might be worded. Is it part of this committee's purview to have a look at that? It has been raised as a matter in some of our submissions and discussions, so should we be looking at the arrangement made by the government back then and coming up with some suggestions, or is that purely a government re federal re whatever situation?

**Mr GUTWEIN** - I am certainly not going to encourage this committee to engage in an exercise of sovereign risk. From the point of view of the current deed that was negotiated and dealt with by the Parliament as a deed in place to 2023. At the end of the day the committee has a mind of its own and can determine where it wants to go, but certainly from government's point of view sovereign risk is not something we would use.

**Mr HODGMAN** - Nor is it something we would want to upend.

**CHAIR** - I do not want to put out to report and then the Government say, 'Why haven't you commented on this?', so we just wanted to clear that up.

**Mr HODGMAN** - There has been a lot of commentary and reflection on the process and the deal and how it was handled and so on. We appreciate that and are trying to differentiate a process now from that one, but in terms of upending an agreement that was struck, interfering and causing sovereign risk would not be something we would do.

**CHAIR** - We have not taken internet gaming on board because it was not really one of the terms of reference. From our point of view that is a whole other body of work that would be very difficult because it is not part of the terms of reference but some people say it could be 'incidental thereto'. You have said that we have looked into it and we have had some information regarding the Norway experience provided to us, but it is not really an area we think we will go into in any great depth unless the Government is expecting us to because it is a whole other area and there are some studies, but not enough conclusive studies, I think.

**Mr GUTWEIN** - In regard to internet gaming more broadly, the regulation of that more properly fits at the national level and certainly in regard to things like advertising et cetera, those are more national constructs than state. There is a body of work going on at the national level. Every state has recognised the internet gaming challenge that is occurring and there is currently a national conversation underway on that. Regarding access to internet gaming in the future, and with the exponential growth we see and the products that will be available by 2023 or 2019 are all going to be vastly different. The speed that market is moving is ferocious.

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In regard to your question about the 2003 deed, nothing I have said should preclude you from looking at the deed and commenting on why a proposed way forward is better if there are shortcomings that you can see, but certainly in regard to sovereign risk, that is something that the government has no intent in entering into.

**Ms RATTRAY** - Isn't that in some respects reflecting on the past decisions of the Parliament? It is done; it is what it is. That is my 20 cents worth. I won't bet on it, though.

**Mr HODGMAN** - What we propose is very different.

**Mr ARMSTRONG** - On consideration of the duration of in term of licenses for the various gaming activities post-2023, what do you believe is the appropriate duration of a contract relating to gaming machines in your terms of reference?

**Mr HODGMAN** - Somewhere south of perpetuity, I would think.

**Ms RATTRAY** - Victoria has gone for a 10-year model in their more recent agreement.

**Mr GUTWEIN** - Mr Root informs me the normal term of lease for machines is usually up to five years. They turn over quite quickly. The commercial reality is, and I presume, there is flexibility in the machine lease. The licence for individual venues is for five years. Depending on the model determined for the structure of gaming, there would need to be consideration of the term.

If an individual licensed venue had to go through a process, without the benefit of a network or a backbone to support it, an individual venue model would necessitate certain investment. That would need to be considered in respect of any term, as per that guiding principle. Any term needs to consider the investment. All of this is predicated upon a licensee doing the right thing and meeting the requirements of their licence arrangements.

**Mr ARMSTRONG** - You have already answered my next question - what factors do you believe should be taken into account? What terms do you believe are appropriate when granting licences?

**Mr GUTWEIN** - You have to weigh the level of investment. If I use MONA as an example, Mr Walsh would need to go through all of the normal probity requirements. When Mr Walsh and MONA are spoken about in regard to a licence, that is on the basis that they meet all of the necessary licensing and probity arrangements.

**Ms RATTRAY** - They are in Glenorchy.

**Mr GUTWEIN** - We are not talking about EGMs. You would need to weigh up what investment was required to establish the operation in the first instance and what a reasonable period of time would be for an operator to expect to receive a return. Any investment in a high-roller venue, whether it be a boutique, bespoke casino, will be significant, and a significant risk undertaken as well.

**Mr ARMSTRONG** - What licence terms are common throughout Australian states?

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**Mr GUTWEIN** - I am sure we can provide some information. I do not think we have it with us today. If the committee does not have it, we can make certain we provide as much detail as we can. I think it should be there to inform your thinking.

**Mr ARMSTRONG** - Should Tasmania have any special terms, and if so, what, or why?

**Mr GUTWEIN** - Special terms, in what regard?

**Mr ARMSTRONG** - In your terms of reference, consideration in terms for licences.

**Mr GUTWEIN** - The term of a licence should reflect, to some degree, the level of investment to establish that particular business. It needs to be front and centre for a casino licence.

I am happy to take that first question about terms of reference around the country on notice. We will provide some detail.

**Ms RATTRAY** - It has been suggested that if it was a venue-operator model and they held the licences and had to buy the machines, there would be some venues not in a position to buy their licences or pay for their licences and would need some consideration. It may be the state would have to do that. Do you see that state wanting to go into that space?

**Mr GUTWEIN** - It is not front and centre of my thinking to go into a process that is going to cost the state money.

**CHAIR** - Given Federal Hotels has already enjoyed a 50-year monopoly - and we know they have been good to communities, that is not the question. What is the rationale for extending such a licence indefinitely? People could say they have had 50 years by 2023, and yet here we are looking at extending it even further.

**Mr GUTWEIN** - It is a matter for you to decide whether you want to shut them down.

**CHAIR** - No, it is not about shutting them down. It is offering them a monopoly, they have a monopoly.

**Mr GUTWEIN** - This is the point. As to the current casinos at the moment, it is the Government's view that Tasmanians broadly are reasonably comfortable with the level of casino operations we have but would reasonably, I think, accept a bespoke high-roller model. Public feedback has been very strong on Mr Walsh's proposal, but subject to him meeting the necessary probity requirements. If you were to remove the casino licences and alter Federal's business model dramatically by not providing them with a licence after 2023 - and I have not had this conversation with Mr Farrell and he has never raised it with me - I believe you would seriously damage their business.

**Mr BACON** - No, I think the Chair is asking if you would offer that for tender as well.

**CHAIR** - Yes, I am not suggesting they're not in the market.

**Mr GUTWEIN** - As to offering the casino licence for tender, most people would recognise they would probably be best placed to win a casino tender with the sunk investment they have at

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the moment. As to the ongoing taxation arrangements and fees charged for that licence, that is an open question post-2023, as to what that might look like and what value the state might receive. In the Government's thinking, setting aside the debate on EGMs more broadly, we think they have been good corporate citizens in the management of the casinos and their investment.

**Mr BACON** - The Dickson Hotel Group raised in their evidence that they thought with the falling take from electronic gaming machines it is a dying product and in the future there won't be machines, regardless of what the committee recommends and the Government decides. Do you have a comment on that?

**Mr GUTWEIN** - Revenue has been flatlining. The internet, and mobile phones especially, is going to be the significant growth area. I would not believe, as you have expressed the Dickson's view, the EGM business will disappear completely through natural forces, but my view is it would be in relative decline.

**Mr BACON** - You wouldn't have a thought around what kind of time frame that would be?

**Mr GUTWEIN** - No, I have never modelled that.

**Mr ARMSTRONG** - If gaming machines were removed from hotels and clubs and \$1 bet limits were imposed on machines in the two casinos, what impact would that have on the state Government and what taxes would you have to raise to cover the shortfall? Do you know how many jobs that would cost the state?

**Mr GUTWEIN** - We have not modelled that. I do not know. It is certainly a matter that if you wanted those questions considered through the Treasury resource, they could be. Can I just make the point too, it needs to be understood, and I think Mr Root raised this and certainly the Premier did, that when we are talking about EGM gaming, it is around \$50 million to \$55 million, in total, that the state receives. That is, to my understanding, about \$30 million from the pubs and clubs, and around \$20 million from casinos. Broadly speaking, that is the breakdown. Whilst it is only 1 per cent of the budget, it is still a significant amount of revenue.

**Mr ARMSTRONG** - Late last year in an opinion written by David Walsh in the *Mercury*, he stated that he was seeking more support from the Tasmanian Government for a range of new investments, including a tourists-only casino. Mr Walsh said of those investments, 'It will cost another \$300 million'. He goes on to say, 'I need a loan and I hope the Government will guarantee it'. The question is whether you have been approached by Mr Walsh to guarantee this loan and whether the Tasmanian Government would consider supporting -

**Mr GUTWEIN** - I certainly am not considering any formal proposal from Mr Walsh at the moment. I am unaware of those comments. He certainly has some big plans, but -

**Mr ARMSTRONG** - You are aware of those comments?

**Mr GUTWEIN** - Yes, those comments.

**Mr ARMSTRONG** - It is in the *Mercury*.

**Mr GUTWEIN** - Yes. To the best of my knowledge, I do not believe that we have ever received a formal application from Mr Walsh for any assistance. I can check that.

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**Mr BACON** - You have had discussions with him on that?

**Mr GUTWEIN** - In regards to the gaming issue, I have actually spoken to Mr Walsh, I think, on one occasion. In regards to his broader tourism operations, I have had a couple of discussions with more broadly his team, I think, and maybe once with Mr Walsh with his team, but it was only a couple of discussions there.

**CHAIR** - Any closing comments before we wind up, from either of you?

**Mr HODGMAN** - No, thank you again for having us. I welcome the opportunity.

**CHAIR** - A couple of things. First of all, thank you for being here today. I am pleased that you have clarified the 2023 structural framework, the Hodgman policy and the fact that - and it is clear to us now that it is a starting point, even though it has some - you have considered it and that is where you are at. It is a starting point, which means that the committee is charged with coming back with some findings and recommendations, evidence-based, for you to consider. That is a good place to be in.

There may be some questions on notice that we have, that we will direct through to you. That would be good. We also appreciate the offer that if there is something from Treasury that we will need as a committee, we will say, 'It would be really helpful for us to have more information on this, this and this'. Let us approach, through you, because we want to make sure we get this right, or as close to it as we can. There are areas we know that we need more information on. That offer of assistance is very much appreciated by the committee.

We are very much intending to stick to the deadline, and hopefully get the report to parliament before that date. That is why we met with the Auditor-General. We are aware of the other studies going on with the liquor and gaming and the impact studies. As soon as those reports come out, if there is information available in those that can assist us, that would help us to be able to provide the Government with a better document. Thank you once again and thank you for your staff.

**Mr HODGMAN** - Thank you.

**Ms RATTRAY** - Thank you.

**THE WITNESSES WITHDREW.**