Future Gaming Markets draft legislation
Public Consultation
Submission from Federal Group

Introduction

Federal Group is a Tasmanian based family business and has been the exclusive licensed gaming operator in Tasmania since 1973. Federal Group opened Australia's first legal casino at Wrest Point in this year and has operated the business continuously to this day. Similarly, Federal Group developed and has operated the Country Club Casino and Resort near Launceston since 1982. The company is proud of the way that it has managed the introduction of gaming in Tasmania and has always operated gaming businesses with a strong focus on probity, integrity, regulatory compliance, and responsible gambling.

Federal Group operates businesses in a range of sectors in Australia, with most of these businesses operating in the state of Tasmania. Federal Group businesses include those in the gaming, casino, tourism, hospitality, retail, sensitive freight, and technology sectors. Federal Group is proud to employ nearly 2,000 Tasmanians throughout the state.

Federal Group acknowledges that the draft legislation will remove the exclusive gaming licence in Tasmania that the company has held for nearly fifty years. The company is committed to continuing as a responsible gaming operator into the future and will continue to invest in both gaming and non-gaming businesses for the benefit of the Tasmanian economy and community.

Federal Group has identified six general issues of concern that are the focus of this submission.

1. Sovereign Risk and the 2003 Deed

The current gaming arrangements are specified in the 2003 Deed between the Crown and Federal Group. The Deed is Schedule 1 to the *Gaming Control Act 1993* and has the force of law. The Deed specifies the licence term and exclusive right, gaming machine caps, licence fees, tax rates, and the Rolling Term.

As notice has not been provided as per the 2003 Deed, the licence has now entered the "Rolling Term" and this means that – without engaging in a sovereign risk event – the earliest date that the new gaming arrangements can commence is 1 July 2026.

The 2003 Deed sets out the arrangements for concluding Federal Group's exclusive licence or changing the conditions of that licence. It gives Federal Group the certainty of future operations it needs to continue to invest in its properties and equipment (including electronic gaming machines) and software (including EGM games). This required certainty is not only for the period of the licence, but also for the conditions attached to the licence – both of which are fundamental to the viability of Federal Group's gaming operations. The 2003 Deed also provides the Government with a minimum period of certainty of future revenue.

The Rolling Term in the 2003 Deed delivers certainty for both parties. The Rolling Term ensures that the company is provided with at least four year's notice of any changes to the arrangements. Under the Rolling Term, the arrangements set out in the 2003 Deed between the Crown and the company continue unless the Minister provides formal written notice otherwise.

The Deed requires that the company must be provided with formal written notice by 30 June 2019 if there was to be a change to the current arrangements which would take effect on 1 July 2023. No such notice was given. Thus, the current arrangements have now entered the Rolling Term and the earliest new end date for the current arrangement has extended to 30 June 2026 under the 2003 Deed.

Federal Group has sought legal advice from Senior Counsel regarding the question of whether notice has been provided to the company under the terms of the 2003 Deed to not renew the Rolling Term. The advice is clear that the Minister has not exercised the power under 3.2 of the of the Deed. The advice confirms that, in public utterances and correspondence with Federal Group, the Government has instead informally foreshadowed an intention to cease Federal Group's exclusivity through legislation rather than exercising the power pursuant to clause 3.2 of the Deed. The advice is clear – that does not constitute the formal notice required by clause 3.2.

Federal Group notes that the draft legislation proposes that the new gaming arrangements would commence on 1 July 2023. Further to the legal advice received, this would represent an example of the powers of the Parliament being used to legislate away the rights of a party to an agreement with the Crown. This is highly inappropriate and represents a sovereign risk event.

Sovereign Risk

Unique among contracting parties, governments have the capacity to avoid their contractual commitments by legislating away their obligations. The risk of a government acting in this way is called sovereign risk. Sophisticated, advanced governments resist this temptation because to legislatively override contracts, willingly entered, completely erodes the confidence of other parties to contract with government and creates damaging precedents which go far beyond the circumstances of the contract overridden. Sovereign risk events are not a feature of modern, western governments.

It is therefore well-established practice that governments honour the letter and the spirit of the commitments they make by contracting with other parties, especially the private sector. To use legislative means to extinguish rights and obligations under an existing agreement (such as those incorporated into the 2003 Deed), as the proposed legislation intends to do, is a clear example of a sovereign risk event.

This would be unprecedented. No Tasmanian Government has previously behaved in this way and no Australian Government has created a sovereign risk event.

However, it is not uncommon for Governments to negotiate their way out of contractual obligations, the same way that private parties do. This involves a negotiated outcome that is acceptable to both parties; and may include compensation. An example from recent Tasmanian history is the case of the Port Huon Wood Chip Mill.

Huon Forest Products Pty Ltd (HFP) was formed to log the concession in the Southern Forests which had previously been in the hands of APM (Australian Paper Manufacturers). HFP acquired the site at Whale Point (opposite the main wharf at Port Huon) and, during 1987 and 1988, set about negotiating agreements with the Tasmanian Government and the Forestry Commission. They also ordered equipment and settled construction and civil works contracts. The project had been strongly promoted and supported by the Gray Liberal Government.

The venture was well advanced, and they were on track to commence construction when the Government changed in June 1989. In the election held in May 1989, the Gray Government was 1 seat short of a majority - the outcome in the then 35 seat House of Assembly was Liberal 17 Labor 13 Greens 5. In June that year, Gray lost a no confidence motion in Parliament. The outcome was that a Labor Government led by Michael Field as Premier took over. Field was able to govern only with the support of the 5 Green members of the House of Assembly and got into power by negotiating a deal with the Greens known as the Labor-Green Accord. Paragraph 7 of the Accord stated: "The Huon Forest Products venture will not be allowed to proceed". Once in office, Field had to find a way to stop the HFP project proceeding. His options were to legislatively terminate it or to negotiate with HFP P/L to terminate the project by paying compensation. The first option would have constituted a sovereign risk event.

Premier Field opted for the second option. HFP was paid substantial compensation and in return they surrendered their wood supply which brought the project to an end. The point of the case study is that the Field Government avoided a sovereign risk event by negotiating out of the HFP deal. This is what respectable governments do – to legislatively override contractual arrangements (the sovereign risk event) entered into in good faith between the Crown and private parties is an egregious use of the legislative power of the Parliament.

Federal Group has honoured and respected all terms of the 2003 Deed. Using legislation to override the Rolling Term in the 2003 Deed would be a clear case of a sovereign risk event, would be unfair to the company, and would set a dangerous precedent that would erode business and community confidence in its future willingness to contract effectively and equitably with the Tasmanian Government.

The issue of sovereign risk has been raised in the Tasmanian Parliament from time to time with specific reference to the Gaming Control Act, and more specifically the 2003 Deed between the Crown and Federal Group.

A 2003 Tasmanian Parliamentary Public Accounts Committee inquiry into the Federal Hotels Agreement made very relevant findings regarding sovereign risk and the 2003 Deed. Specifically, they found that:

- Any unilateral move by the Government to terminate or invalidate the current Deed to facilitate a competitive tendering process, prior to 2019, would raise sovereign risk issues as well as creating a potential for civil action leading to financial compensation.
- Any unilateral move by the Government to terminate or invalidate the current Deed, against the will of Federal Hotels, would seriously damage the Government and impact negatively on Tasmania's standing as a State in which to do business.

More recently the Tasmanian Government has made specific mention in the Tasmanian Parliament of a reticence to legislatively "reach in" and change the rights and obligations afforded both parties in the 2003 Deed.

In a Ministerial Statement on Gaming to the Tasmanian House of Assembly on 17 March 2016 Treasurer Gutwein said that:

> *Those arrangements are detailed in the 2003 deed which is now enshrined in the Gaming Control Act. Under the terms of that 2003 deed, the Federal Group has the exclusive right to operate EGMs, keno, and casino table games in Tasmania until at least 30 June 2023.*
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> *That deed has two phases - a fixed 15-year phase which concludes in 2018, and a rolling five-year phase which automatically commences in 2018. Under the deed, if no action is taken by the minister responsible for the Gaming Control Act - currently the Treasurer - before 30 June 2019, the period of exclusivity under the deed will extend by one year to 30 June 2024. This arrangement then rolls over every year unless action is taken to cease it.* ***This Government has been clear for a long time now that we are not going to seek unilaterally to reach in and change the rights held by the Federal Group. They were negotiated in good faith, reviewed by Parliament, and enshrined in law****.*

In this statement, the Treasurer clearly acknowledged the mechanism by which the 2003 Deed would enter the Rolling Term if the powers available to the Treasurer had not been exercised and notice had not been provided by 30 June 2019. Most importantly, the Treasurer made it clear that the Tasmanian Government would not change the rights currently held by the Federal Group through the 2003 Deed.

It is noted that the proposed amendments have the effect of revoking the 2003 Deed on 30 June 2023 (see above the issues regarding this representing a sovereign risk event). The amendments also remove the capacity for any compensation to be payable to a party to the 2003 Deed for any loss or damage suffered. The use of legislation to override the terms of existing legislation and remove the capacity for the disadvantaged party to claim any compensation for loss or damage compounds the seriousness of this proposed sovereign risk event. Federal Group also contends that the addition of the sub-section (section 6(2)) that removes the capacity for compensation to be payable to any party to the 2003 Deed that suffers loss or damage is an acknowledgment that the Government believes that revoking the terms of the 2003 Deed through legislation would expose the Crown to potential compensation claims.

We would therefore urge the Tasmanian Government to remove the proposed amendment at section 6, sub-section 2 and to end the 2003 Deed of Agreement at the conclusion of the Rolling Term period (currently 30 June 2026) – therefore honouring the terms of the 2003 Deed.

2. Tasmanian Liquor and Gaming Commission – Structure, Powers and Review/Appeal Rights

The proposed future gaming market arrangements will significantly expand the complexity of regulation of the gaming market in Tasmania. The current arrangements incorporate a single licence holder (Federal Group), and the future gaming market will add 100 additional gaming licence holders to be regulated and monitored.

This is likely to significantly increase the workload of the Tasmanian Liquor and Gaming Commission ("Commission") and the Liquor and Gaming Branch ("Branch") of Treasury. This workload will be particularly acute in the lead up to the commencement of the future gaming market when the Commission (supported by the Branch) will need to assess the background and probity of 100 new licence holders.

The proposed amendments in their entirety will expand the scope and powers of the Commission. This includes new capacities to charge licence holders for investigations and the ability to impose whatever conditions they see fit on licence holders.

The expanded powers of the Commission that are proposed – and the massive increase in the number of licence holders in the future gaming model – means that the membership should be expanded from three to five members. At least one of these members should have experience with, and an understanding of, the gaming industry as the current membership includes members with no understanding or experience with the industry that they regulate.

The expanded powers and workload of the TLGC proposed under the amendments also provides a significant risk to gaming licence holders. The current Act contains little to no checks on the power of the Commission through access to independent review or appeal of Commission decisions. Indeed, the current arrangements mean that there is only limited access to appeals or reviews to the Supreme Court and that reviews of decisions taken by the Commission are undertaken by the Commission itself. The current arrangements deny natural justice to licence holders and the proposed changes will make this lack of access to justice even more acute.

We would strongly argue that decisions of the Commission should be able to be reviewed and/or appealed independently and therefore the following changes need to be made:

- All decisions of the Commission should be able to be reviewed by a separate administrative appeals body or tribunal; and
- All decisions of the Commission should be able to be appealed to a Tasmanian court.

In addition, the future arrangements for the review and/or appeal of decisions of the Commission should be structured in such a way that small venue operators are not denied access to justice. The future arrangements will incorporate licence holders that are smaller in scale and with limited resources. They should be able to have decisions of the Commission reviewed without incurring significant expense through the need for legal counsel.

An appropriate model for a review/appeal body is the Motor Accidents Compensation Tribunal established under S.12 of the *Motor Accidents (Liabilities and Compensation) Act 1973*.

It should also be considered whether some of the policy setting powers proposed to be delegated (or already delegated) to the Commission are more appropriately exercised by the Government of the day.

3. Future Licensed Monitoring Operator arrangements

The Licensed Monitoring Operator function has been performed over the last twenty-five years by Network Gaming, a Federal Group business unit. The company is proud of the way that Network Gaming has undertaken this function, and this has ensured high levels of integrity and reliability within the hotel and club gaming network.

A high performing licensed monitoring operator is essential moving forward under the proposed model. This will ensure that the Tasmanian Government and the wider Tasmanian community can have confidence in the integrity of electronic gaming in the hotel and club network. Similarly, a high performing licensed monitoring operator will be essential to support hotels and clubs as they make the transition to the future gaming model.

It is recognised that the licensed monitoring operator will be selected following a tender process, and that some of the further details will be made available during that process. However, Federal Group draws on its extensive experience as the Tasmanian licensed monitoring operator over the last twenty-five years to make the following comments. The future performance of hotel and club electronic gaming for the Tasmanian Government, venues and the wider community will come down to having the highest quality level of service and infrastructure being delivered by the licensed monitoring operator.

a. Premises and Services in Tasmania

The draft legislation provides for the Commission to grant a licence where it is satisfied that the premises are suitable for the management and operation of an electronic monitoring system and that the size, layout, and facilities of the premises are also suitable (section 48j). The boundaries of the monitoring operator's premises will also be defined in the licence and may be redefined by the Commission from time to time. However, it is still unclear whether it is anticipated that these premises should be located within the state of Tasmania.

There are many reasons why the monitoring operator's premises should be located in the state of Tasmania:

- It will maximise the benefits to the Tasmanian economy, including the employment of Tasmanian based staff;
- It will improve the responsiveness and services provided by the monitoring operator to Tasmanian hotels and clubs; and
- It will ensure that there is local understanding of the Tasmanian gaming market and Tasmanian hotels and clubs by the monitoring operator.

b. Fee Setting for Core Monitoring and Regulated Fee Functions

While not clearly established in the draft legislative provisions, it is noted that the regulated fee and the core monitoring fee to be paid to the monitoring operator will be determined through the tender process and that potential operators will need to tender a proposed price for these functions. There are many complexities that would make tendering a fee for either of these functions extremely difficult and could lead to poor outcomes for the future gaming market.

These complexities include:

- The very long licence period of 20 years and significant unknowns about future revenues and costs associated with the delivery of these functions for the monitoring operator;
- The complexities in setting a price for the regulated fee functions when it is not possible to accurately determine the level of future demand for these services;
- The uncertain level of future demand for regulated fee functions and the uncertain number of EGM authorities in use (especially later in the licence period);
- The poor economies of scale involved in the delivery of regulated fee functions in a highly dispersed state like Tasmania; and
- The different cost structures inherent in delivering regulated fee services to small and regional venues versus larger city-based venues.

The above reasons will make tendering for core and regulated function fees extremely difficult and increase the likelihood that the price would be set at such a level that some or all hotel and club venues pay a price that is too high or too low for those services. The first outcome would be unfair to hotel and club venues and the latter could mean that the monitoring operator is unviable.

If the tendered price receives a high weighting during the tender process then the highest quality potential monitoring operator may not be successful, meaning a sub-optimal service to the Tasmanian gaming market and the Tasmanian Government.

To resolve these complexities and issues, we suggest that both the core monitoring and regulated fee functions be set by the Tasmanian Government and the tender be undertaken based on the capability and capacity of the monitoring operator to deliver a high-quality service to the future Tasmanian gaming market. The Tasmanian Economic Regulator is experienced in the setting of appropriate prices and would be well placed to determine the core and regulated fees to be paid under the future gaming market arrangements.

c. Transition Issues and fees

It is noted that a transitional period of up to twelve months is planned to be provided (post the commencement date of the new arrangements). During this period, it is proposed that the incumbent gaming operator (Network Gaming) will be provisionally licensed to continue EGM monitoring at venues until each venue has been connected.

While the company is comfortable that Network Gaming may be provisionally licensed during the transition period to provide these services, the financial arrangements should be in accordance with those specified in the 2003 Deed.

d. Implementation of Future Technology

The draft legislative provisions are silent on the potential introduction of new technology by the monitoring operator in the future and how the financial arrangements for such initiatives might work. For example, in other jurisdictions where new technology – such as card-based gaming – has been introduced into EGM venues, the monitoring operator is able to charge an additional fee per EGM to cover the costs of the technology.

Given that Tasmania is one of the few coin-based jurisdictions for EGMs, it is assumed that during the future gaming licence there would be the introduction of new technology solutions. Like the above, we propose that the best way for this to occur is for the fees to be set by the Tasmanian Government and then a determination of an appropriate fee for the new technology could be determined by the Tasmanian Economic Regulator.

e. Licence Fees

The stated intention is that the licence fee is to be determined as part of the tender process and then prescribed in regulations. It therefore appears that organisations submitting a tender for the monitoring operator will be required to tender for an annual fee that will be paid to the Commissioner of State Revenue each month.

There are concerns with this approach, some consistent with concerns regarding the tendering of a price for core or regulated fee functions. As previously stated, there is a very long licence period of 20 years and uncertainty regarding the number of EGM authorities in use in the future (especially later in the licence period). EGM activity has been in gradual decline for the last 15 years, it is likely that this trend will continue, and it is therefore likely that there will be less EGM authorities in use. Unless the daily fee per EGM is adjusted accordingly (i.e., divided by the declining number of authorities in use) then the future revenue to the monitoring operator will decline.

Combined with other future uncertainties about future demand or future costs for providing services, tendering any licence fee would be very challenging.

Also, if the tendered licence fee receives a high weighting during the tender process then the highest quality potential monitoring operator may not be successful, meaning a sub-optimal service to the Tasmanian gaming market and the Tasmanian Government.

We therefore propose that the Tasmanian Government would be best placed to stipulate the annual licence fee and ensure that the selection of the successful monitoring operator is based on quality.

f. Permissible and Precluded Services

The introduction to the paper outlines that for "regulatory reasons the monitoring operator may be prevented from performing some of the market-based functions (e.g., sale or supply of EGMs to venues), however this will not prevent a related party of the monitoring operator from undertaking such functions". We are working on the assumption that this would allow another part of our company to supply EGMs to venues should Network Gaming become the licensed monitoring operator.

One area that is unclear is whether the related party may also own EGMs and supply them to a venue under lease arrangements. It is believed that this may be an important market-based function in the future gaming market, especially for smaller venues that do not have strong balance sheets or the buying power to allow them to purchase EGMs at a commercially reasonable price.

g. Game Approvals

Tasmania operates a different set of EGM Technical Standards to other Australian jurisdictions. This requires manufacturers to make significant changes from the games that are approved in other comparable jurisdictions (especially Queensland). As a result, the current monitoring operator (Network Gaming) is required to seek specific approvals for most of the new games introduced into the Tasmanian market. This is a resource intensive process.

It is unclear who will be responsible for seeking this approval in future and the issue needs to be considered. The best solution for the new gaming licence would be to ensure that the Tasmanian EGM technical standards mirror those of other comparable jurisdictions, especially Queensland.

We would suggest that EGM manufacturers be consulted on the issue of the supply of games to hotels and clubs under the future gaming licence. Unless the EGM Technical Standards are brought into line with other jurisdictions then this may be very challenging because of the small quantities being purchased by individual hotels and clubs, and the significant costs to manufacturers to develop games specific to the Tasmanian EGM Technical Standards.

4. Hosting of Gaming Equipment

Various sections of the current *Gaming Control Act 1993* reflect an era when it was not contemplated that it would become industry best practice for server-based gaming equipment to be operated and located off the premises. A recent cyber-attack that impacted the Federal Group casino gaming equipment has highlighted the need for server-based gaming equipment (such as monitoring systems) to be able to be located off the casino premises so that these systems can be operated and maintained with a higher level of security and system resilience.

This follows a trend across many industries, including government, of locating production and backup IT systems in data centres where specialised hosting services and equipment can be provided by those that maintain expertise in that field. Technology has also advanced significantly since the Act commenced with virtualised systems becoming the norm and the use of cloud-based technology increasing by the day.

The Act contains several outdated provisions that limit the installation of gaming equipment to the physical casino or licensed premises.

Sections 8 and 9 respectively declare the conduct of a game or gaming activity to be lawful but only where the gaming equipment is provided in a casino or at a licensed premise (emphasis added):

> ***"8. Gaming in licensed casinos declared lawful***
> *(1) Despite the provision of any other Act or any law, the conduct and playing of a game and the use of gaming equipment is lawful when the game is conducted, and the gaming equipment is provided, in a casino by or on behalf of the casino operator in accordance with this Act.*
>
> ***9. Gaming in certain licensed premises declared lawful***
> *(1) Despite the provisions of any other Act or law, the conduct of gaming is lawful when the gaming is conducted, and the gaming equipment is provided, at licensed premises in respect of which a licensed premises gaming licence is in force in accordance with this Act."*

Additionally, section 90 requires gaming equipment to be installed in a *'gaming area'* which is defined in section 3 of the Act as a *'casino'* or *'any area in licensed premises to which a licensed premises gaming licence relates approved by the Commission for the conduct of gaming' (emphasis added):*

> ***"90. Installation and storage of gaming equipment***
> *(1) A gaming operator who provides gaming equipment to a licensed premises gaming operator –*
>
> *(a) must install the equipment, or cause it to be installed, in a gaming area approved for that purpose by the Commission; and*
> *(b) must cause any gaming equipment not so installed to be stored in a room approved by the Commission and secured in the manner approved by the Commission; and*
> *(c) must request the Commission to inspect the installation, test the games and give approval to commence gaming.*
>
> *(2) A casino operator who obtains gaming equipment –*
>
> *(a) must install the equipment, or cause it to be installed, in a gaming area approved for that purpose by the Commission; and*
> *(b) must cause any gaming equipment not so installed to be stored in a room approved by the Commission and secured in the manner approved by the Commission; and*
> *(c) must request the Commission to inspect the installation, test the games and give approval to commence gaming."*

Federal Group notes that the draft legislation amends Section 90 in a manner that will provide additional flexibility regarding the installation of gaming equipment.

Whilst it is arguable that the Commission's authority to define the casino or licensed premises could be currently relied upon for approval to install gaming equipment offsite (the Commission does not appear currently to subscribe to this pragmatic view), it is preferable that the Act be modernised to future proof this area of regulation in a space that is constantly evolving.

5. Transition Intensity

The transition to the future gaming licence will be complex and time consuming for all parties, and especially for hotel and club venue operators. This is the most significant transformation of the gaming market since the introduction of wide area electronic gaming in Tasmanian hotels and clubs in 1997.

The complexity will impact on all the players in the Tasmanian gaming sector and should not be underestimated.

For the Tasmanian Government, there will be significant resources required to manage the transition from a single licence holder to 100 licence holders (electronic gaming hotel and club venues). This will involve significant probity and background checking of all new licence holders and their associates to ensure the highest levels of probity, integrity, and public confidence in gaming in Tasmania. There will also be the requirement to verify equipment, premises, systems, and other associated infrastructure. All of this will need to be undertaken while the existing arrangements continue to be managed and regulated.

For hotels and clubs with electronic gaming machines, this will be a very significant change that will increase the functions that they will have to take full responsibility for. Up until this point Network Gaming has managed most elements of the operation of gaming in hotel and club venues. The transition to the new gaming licence arrangements will mean increased workload, complexity, capital investment and accountability for hotels and clubs. Some will be able to manage this transition effectively while others will find it difficult and costly, and will possibly need additional support.

The transition will also mean that Network Gaming will have a significant workload in managing the many functions that will transfer across to other parties under the proposed arrangements, while also continuing to manage the extensive business as usual functions. The workload for Network Gaming will be extensive and require significant project resources to appropriately plan and execute the transition.

The amount of complexity, focus and resources required to make the transition will have consequences for all parties involved. The level of risk to the Tasmanian Government and the Tasmanian community – in addition to the members of the gaming industry – will increase significantly during the period of transition. A rushed transition will significantly elevate the risk that failures could occur that have negative consequences for the gaming industry, the Tasmanian Government, and the Tasmanian community.

Tasmania should look to the experience in other jurisdictions where there has been a fundamental shift in approach from one licence period to another. The most relevant jurisdiction to compare to Tasmania is Victoria, which moved from a dual licence holder model to direct venue licensing in 2012. The feedback from the gaming industry (and we believe from government, regulators, and the wider population) is that there was significant disruption to the parties involved – including governments, gaming operators, and customers/players.

Federal Group has heard from many of those involved in the Victorian transition that the process is disruptive and heightens significant risks. The disruption and heightened levels of risk are also highly likely to apply to Tasmania as we move from the current to the future gaming licence arrangements.

The best way to mitigate the significantly increased levels of risk is to allow sufficient time for the transition process to occur. These issues were contemplated in the 2003 Deed between the Tasmanian Government and Federal Group and form part of the reason for the inclusion of the Rolling Term. The Rolling Term ensured that any transition to a future gaming market would allow for at least a four-year process; this represented an inbuilt risk mitigation mechanism and recognised the significant risks to the state through a rushed transition.

Notwithstanding that the future gaming market should not lead to a sovereign risk event by legislatively overriding the terms of the 2003 Deed, there should be sufficient time for a smooth transition from a risk perspective. The resources and time required to appropriately select and then transition to a new licensed monitoring operator, and the risks involved if the transition is not smooth, mean that more time should be allowed through this legislation. The effective date for the legislation should therefore be moved beyond 1 July 2023 to an appropriate date in the future in line with the Rolling Term provisions in the 2003 Deed.

6. Probity

Throughout the world the gaming industry has been the subject of rigorous background and probity checking to ensure that the activity remains free from the influence of criminals and criminal activity. The reason for this is that a sensitive industry like gaming requires the confidence of the public about integrity, probity and the highest standards of regulatory compliance, responsible gaming, and freedom from criminal influences. Governments around the world that regulate gaming do so to ensure that there can be public confidence in these matters.

From 1973 until now, Federal Group has been the only licensed gaming entity in Tasmania. The company has a strong record of ensuring the integrity of gaming in the state and the highest standards of probity. Throughout that nearly fifty-year period successive Tasmanian Governments and the Tasmanian public have been able to have confidence in the integrity and probity of gaming.

Federal Group gaming businesses bring a strong culture of regulatory compliance and patron care to their operations. Federal Group has a strong culture of self-assessment of compliance with all rules and requirements and has self-reported any incidents of potential non-compliance to the relevant regulator. Similarly, Federal Group has invested in responsible gambling practices, people, and technology to reduce the risk of patrons losing control of their gambling and causing harm to themselves or others.

Moving from the current model to the proposed future arrangements will dramatically increase the number of gaming licence holders in Tasmania. This will significantly increase the risk associated with criminal influences and activity becoming part of the Tasmanian gaming industry.

As the exclusive licence holder for nearly fifty years, Federal Group is very concerned to ensure that the most stringent background, probity, and integrity checking should occur for all future gaming licence holders and their associates. The standard of checking applied by the Tasmanian Liquor and Gaming Commission should be at least as rigorous as other jurisdictions in Australia, such as Queensland. This requires that all owners, key personnel, and associates have rigorous checks undertaken to provide the Commission, the Tasmanian Government, and the Tasmanian public with confidence in the integrity of licenced persons and entities.

Undertaking the necessary checks of all proposed licence holders and their associates will lead to a significant spike in the workload of the Tasmanian Liquor and Gaming Commission and the Liquor and Gaming Branch of Treasury. It will be critically important that both the Commission and the Branch have the resources, time, and expertise to undertake these important functions prior to the commencement of the future gaming licence. The extent of this task should not be underestimated, nor should its importance in ensuring that public confidence in gaming integrity and probity is maintained.

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