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9 August 2021

The Secretary  
Department of Treasury and Finance  
future.gaming@treasury.tas.gov.au

Dear Sir/Madam,

**GLENORCHY CITY COUNCIL – FUTURE OF GAMING IN TASMANIA STAGE TWO  
CONSULTATION SUBMISSION**

Thank you for the opportunity for Glenorchy City Council to provide a submission to the Future of Gaming in Tasmania stage two public consultation.

With the exclusivity arrangements under the Deed of Agreement with the Federal Group ending in 2023, there is currently a unique opportunity to review gaming in Tasmania to ensure the best health, social and economic outcomes for the community.

Council does not believe that there is enough information to show that the proposed model is in the best interests of the State and the Glenorchy community. Council has serious concern that harm minimisation and consumer protection are not forefront in the proposed legislation. As such, we ask that:

- there is further scrutiny relating to several areas of the Future of Gaming in Tasmania Policy (the Policy) as outlined in Council's submission, and
- that increased harm minimisation measures be considered as part of the Policy and included in legislation.

Please find attached our submission which provides further detail.

Yours sincerely

Tony McMullen  
General Manager

## Glenorchy City Council – Submission to Future Gaming in Tasmania

### Stage Two Public Consultation



#### Executive Summary

In the Glenorchy City Council area, community members sustain losses of more than \$20 Million per year on electronic gaming machines – the highest losses in the State. These losses cause untold damage to our community in terms of financial hardship, personal stress and relationship breakdown, not to mention the opportunity cost to the local economy.

It is Council's view that, any new regime must responsibly regulate the gaming industry to appropriately redress the super-normal rate of corporate profits derived at the expense of personal and community misery.

Council's submission is summarised as follows:

1. Ensure there are increased harm minimisation measures, enshrined in legislation, to reduce the potential addiction and losses experienced by problem gamblers, while still enabling recreational gambling.
2. Demonstrate how the proposed model responds to issues raised by the Tasmanian Liquor and Gaming Commission's 2017 submission and the 68 submitters to the stage one consultation on the future of gaming.
3. Support the continuation and broadening of the community support levy, with transparent mechanisms put in place to ensure that contribution rates are rational and applied in a proportionate and effective way to reduce social harm.
4. Ensure that the frequency of studies into the social and economic impact of gambling is sufficient to appropriately monitor the harmful impacts of the industry – and that any savings derived are applied to reduce social harm.
5. Oppose the conferring of licences for electronic gaming machines on existing operators without a transparent and competitive process.
6. Oppose the entrenchment of a 20+20 year licence, which bears no relationship to the life of machines (7 years), with flexibility for licensees to even further concentrate their machines in socio-economically disadvantaged local government areas.
7. Oppose privatising regulatory responsibility to a Licensed Monitoring Operator, with potential for a poacher-gamekeeper relationship to arise with the attendant potential conflicts of interest
8. Lack of clarity as to the regulation of high-roller casinos, particularly given the potential governance risks evidenced by money-laundering issues experienced by casino operators elsewhere in the country.

#### Background

Glenorchy City Council (Council) welcomes the opportunity to contribute to the stage two consultation into Future Gaming in Tasmania. Council has a long-standing position on gaming and its impact in the community and has previously made submissions to the Joint Select Committee on Future Gaming Markets in Tasmania, stage one public consultation on Future Gaming in Tasmania and the fifth Social and Economic Impact Study of Gambling in Tasmania.

The *Local Government Act 1993* (section 20) states that it is a function of councils to provide for the health, safety and welfare of the community, and to represent and promote the interests of the community. Council has a role in advocating on behalf of its residents to other levels of Government

if it believes there is a significant issue that impacts the community such as gambling. As part of this advocacy, Council has adopted a Statement of Commitment on Gambling and is in the process of developing and implementing a gambling action plan.

Whilst gambling is a legal activity enjoyed by many, for some people and their families it can cause financial, social, health and legal hardships.

Council has particular concern regarding the number of electronic gaming machines (EGMs) in the community, specifically in the Glenorchy local government area, and is a strong advocate for increased consumer protection and harm minimisation measures.

With 240 EGMs across eight venues (approximately one machine for every 156 adults) the City of Glenorchy has the unenviable distinction of being known as the “pokies golden mile”. The City also leads the way in expenditure on EGMs, with figures from the Department of Treasury and Finance showing that a significant amount of money is lost each month.

In both 2017/18 and 2018/19 losses on EGMs in the City was just under \$20M, with an average spend per machine of almost \$71,000. This figure dropped in 2019/20 to \$14,714,510.35, noting that venues were closed for nearly three months due to COVID 19. In the 2020/2021 financial year the City had the highest expenditure on EGMs across the State (as was the case in the over the last three financial years) with a spend of \$21,442,157.<sup>1</sup> Given the magnitude of losses sustained by its community members, Council believes that the City of Glenorchy is an important stakeholder in relation to the proposed future gaming changes.

As this is a complete remodeling of the gaming industry in Tasmania, there is clearly a need for the proposal to provide the best results for the State and local communities socially and economically. Council does not believe there is currently enough information available to determine whether this is the case and is concerned that the model does not include any additional harm minimisation measures. Council asks that:

- there is further scrutiny relating to several areas of the Future of Gaming in Tasmania Policy (the Policy) as outlined in Council’s submission, and
- increased harm minimisation measures be considered as part of the Policy and included in legislation.

In this submission, Council comments on the following matters relevant to the Policy:

- Results of previous consultation and modelling information
- Harm minimisation
- Community Support Levy
- Electronic gaming machine authorities and licensing and the application of the Community Interest Test
- Compliance
- High roller casinos

#### Results of Previous Consultation and Modelling Information

Council is unaware of any publicly released modelling to demonstrate the Policy is the best model for Tasmania, or what the future impact of the changes will be. The proposed model will change the

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<sup>1</sup> Department of Treasury and Finance

shape of the industry; but without alternatives for comparison or future modelling it is difficult for stakeholders to make informed comment.

As part of the Joint Select Committee on future gaming markets in 2017, the Tasmanian Liquor and Gaming Commission (TLGC) made a submission that raised several concerns that seem to have been left unaddressed. This includes that the proposed model is not the result of a competitive market-based mechanism (such as a tender) and does not provide any enhanced harm minimisation initiatives<sup>2</sup>. As the TLGC is an independent body responsible for the regulation of gaming in Tasmania, it is reasonable to assume that its concerns ought to hold significant weight when formulating the proposed model. However as there is no public modelling available, these issues remain unaddressed.

Council made a submission to stage one consultation into Future Gaming in Tasmania, along with 67 other organisations and individuals. Council is unaware of any documentation detailing how any of these submissions (either supportive or not supportive of the proposed model) were used to inform stage two of the process. This approach appears somewhat irregular. As per the research to develop the proposed model, without this information it is very difficult for stakeholders to comment as there is no understanding of whether any concerns previously raised have been addressed.

In summary:

- What modelling (including comparative modelling) was used to develop the proposed future gaming model and to look at the future impact of the model?
- How were issues raised through the Joint Select Committee addressed, including those raised by the TLGC?
- How were submissions from stage one consultation used to inform the proposed model?
- Will there be a report released by the State Government after stage two consultation detailing how this consultation was used to inform the Policy?

#### Harm minimisation

In the Government's initial fact sheet regarding the Policy in 2020, it was stated: *"While the Government's Future Gaming Market policy does not propose any specific changes to the harm minimisation framework, harm minimisation has continued to be front of mind during the development of the changes to be introduced under the new arrangements."*<sup>3</sup> As the Policy provides a completely new framework for gaming in Tasmania and has many changes to the current model, this is a critical time to review harm minimisation and consumer protection measures.

Council believes that harm minimisation measures are a fundamental component in any gaming framework and that it is imperative that these measures are as strong as possible. There should also be a clear understanding of this across the sector.

The fifth Social and Economic Impact Study into Tasmania notes that of the submissions received, *"There was also substantial agreement from across the community/gambling help sector as to further preventative strategies they would like to see implemented. These included support for reducing the maximum bet limit from \$5 to \$1, increasing the spin-rate from 3.5 seconds to 6*

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<sup>2</sup> Joint Select Committee on Future Gaming Markets Final Report, p202

<sup>3</sup> Future of Gaming in Tasmania – Public Consultation Paper 2020

*seconds, the introduction of a card-based pre-commitment system and reducing the number of hours open to gambling to a maximum of 12 hours a day.”<sup>4</sup>*

The TLGC in their submission to the Joint Select Committee said: *“Despite words to the contrary, there is no argument as to how the proposal would strengthen Tasmania’s player protection and harm minimisation framework.”<sup>5</sup>*

Given the importance placed on harm minimisation from both the Government, community and gambling support services, it is not understood why this was not included in the Policy.

As well as no new harm minimisation initiatives there is also detail on whether the savings from increasing the time between the Social and Economic Impact studies or increases to the Community Support Levy will be put towards further harm minimisation strategies.

Electronic gaming machines can easily be made safer in Tasmania with no negative impact on recreational use or jobs and Council urges action on this before any legislation is passed. Evidence based programming features that can reduce harm include:

- \$1 maximum bet limits instead of \$5
- Set spin speeds to 6 seconds instead of 3 seconds
- Set the maximum jackpot to \$1000 instead of \$25,000
- Prohibit loses disguised as wins (no celebratory lights for a net loss)
- Prohibit near misses (currently programmed)

Harm minimisation and consumer protection measures should also include improved management and intervention by gambling venues to support consumers. NSW, for example, is currently investigating a Gaming Machines Amendment (Gambling Harm Minimisation Bill) which includes measures such as advanced responsible conduct of gaming training and increased penalties for breaches. Reducing opening hours of gaming rooms to midday to midnight would be another way for venues to protect players more actively.

Whilst the above measures would not adversely affect employment, it is worth noting that the Fifth Social and Economic Impact Study of Gaming in Tasmania studied the hypothetical economic impacts of the cessation of problem gambling in Tasmania. The report states: *“Employment losses associated with eliminated problem gambling are small in the context of likely future gains in economy-wide employment...That is, the jobs lost due to a permanent downturn in gambling activity due to cessation of problem gambling would be very small in comparison with the underlying employment growth trend.”<sup>6</sup>*

Given this, there would appear to be no reason why the Policy should not be including harm minimisation and consumer protection measures to provide health and social benefits to the community.

In summary:

- As this is a completely new model, with no obligations to any party once the current Deed of Agreement with the current licensee, Federal Group ends, why is harm minimisation and consumer protection not included in legislation?

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<sup>4</sup> Fifth SEIS Volume 1 – Industry Trends and Impacts – Executive Summary p v

<sup>5</sup> Include Reference

<sup>6</sup>Fifth SEIS Volume 2 – Industry Trends and Impacts Executive Summary p iv-v

- How have the concerns of the community, gambling help sector and the TLGC regarding harm minimisation been addressed?
- Considering that they will have no impact on recreational gamblers or jobs, will the State Government consider legislating harm minimisation measures such as reducing the maximum bet limit, slowing spin speeds, reducing the number of hours open to gambling and reducing jackpot amounts? If not, what is the reasoning behind this?
- How are venues being required to protect consumers more actively under the Policy?

### Community Support Levy (CSL)

Stage one consultation documentation stated that the Government was committed to double the amount of funds to the CSL, extend its application to casino EGMs and introduce new CSL rates on EGM gross profits. It was also noted "The provisions that control how the CSL funds are spent will be reviewed with the aim of improving outcomes and promoting flexibility. Any new provisions will take into account feedback from stakeholders."<sup>7</sup>

In the current consultation, the Government's fact sheet on the proposed changes states: *"To provide greater flexibility and responsiveness, the distribution of CSL will change from the current model of distribution percentages set in legislation, to a model that is prescribed in Regulations. This model will be developed with relevant stakeholder input."*<sup>8</sup>

Council supports an increase to the CSL but believes more information needs to be made available about the proposal for the distribution of CSL funds, and queries why CSL changes aren't included in the proposed legislation. As with harm minimisation measures, inclusion in legislation would provide a stronger mechanism for demonstrating intent and ensuring effective implementation.

Currently 50% of the CSL goes towards harm minimisation measures (research into gambling; services for the prevention, treatment and rehabilitation of compulsive gamblers; community education concerning gambling; and other health services), with 25% each for sport and recreation clubs and charitable organisations.<sup>9</sup>

Council advocates that any additional funding to the CSL should be entirely used for the purpose of harm minimisation, particularly given that the CSL is funded through people's losses on EGMs. Funds should be used where they will have the most benefit i.e. on vulnerable problem gamblers.

Glenorchy is identified as a low socio-economic area, and in the last financial year had the highest losses across the State on EGMs outside of casinos<sup>10</sup>. When looking at the allocation of funds from the CSL however, community organisations and services in the City of Glenorchy receive a comparatively low amount from the CSL which is out of all proportion to the losses sustained by our community. Whilst community activities in other areas are no doubt worthy of funding, this should not come at the expense of Glenorchy residents who are subsidising these initiatives.

Council supports an independent, evidence-based allocation of the CSL such as through the TLGC rather than the current method of being at the government of the day's discretion. As noted, as the

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<sup>7</sup> Future of Gaming in Tasmania – Public Consultation Paper 2020

<sup>8</sup>Future of Gaming in Tasmania Paper 2 – proposed Future Gaming Market legislative provisions – hotel and club

<sup>9</sup> Section 151, *Gaming Control Act 1993* (Tas)

<sup>10</sup> Department of Treasury and Finance

CSL is coming from the people being harmed a more transparent approach should be ensured through legislation.

Council supports the proposed introduction of the CSL to EGMs in casinos, however no rationale has been provided for the variance in the CSL rate between casinos, hotels and clubs. Money is spent (and lost) by players on EGMs no matter where they are located. It seems likely that there will be large profits across the sector, and that the Government could be receiving a better economic benefit for the State.

There is also no information regarding data being available from specific venues in the future. Under the new individual venue operator model, there is no reason not to have breakdowns of spending on EGMs for each venue. This would be beneficial when distributing the CSL as there would be a better understanding of how regions are faring and where funds should be targeted.

In summary:

- Why are the changes to the CSL not included in the legislation?
- Will the whole increase to the CSL be allocated to harm minimisation and consumer protection where it is most needed?
- Will the new distribution of the CSL be distributed to areas proportionate to EGMs losses? As the municipality with the highest EGM losses, will the City of Glenorchy receive a greater share of the CSL (preferably through harm minimisation programs or initiatives)?
- Who will determine the “relevant stakeholder input” into the new CSL distribution? Will the City of Glenorchy, with the highest EGM losses, be deemed a relevant stakeholder?
- Will an independent, evidence-based allocation for distribution of the CSL be adopted?
- Why are there variances in the tax rates (including CSL) across EGMs depending on where they are located, with casinos receiving a concessional tax rate?
- Will data of EGM losses from individual venues be available in the future to assist with CSL targeting?

#### Social and Economic Impact Study (SEIS)

The timing for the independent review of the social and economic impact of gambling in Tasmania will be prolonged from every three years to every five years.<sup>11</sup>

While Council did not support this in our stage one submission, it is understood that due to the cost of study (approximately \$1 million) there will be savings made with the extension to five years.

Given this, there is a question to be answered regarding what the savings will be used for. Currently the SEIS is the only research undertaken to support policy. There is no information available as to whether the savings will be used for additional research and, if so, who would be best placed to determine what research would be beneficial.

Another reason being provided for the extension of the SEIS is that the current three-year period is “...too frequent to allow meaningful consideration of findings and implement potential changes.”<sup>12</sup>

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<sup>11</sup> Future of Gaming in Tasmania Paper 1 – proposed future Gaming Market legislative provisions – general amendments

<sup>12</sup> Future of Gaming in Tasmania Paper 1 – proposed future Gaming Market legislative provisions – general amendments

If the SEIS is extended, Council also advocates for a requirement for an accompanying implementation plan following each SEIS that sets out clear and funded harm minimisation and strengthened regulatory measures.

In summary:

- What will the savings being made from moving the SEIS from three to five years be used for?
- Will there be additional gambling research undertaken?
- If additional research is to be undertaken, will this be locally targeted?
- If additional research is to be undertaken, would this be determined by the State Government as is the current situation (through the SEIS), or would other stakeholders such as the TLGC be able to make recommendations?
- Will each SEIS be accompanied by an implementation plan?

#### Electronic Gaming Machine Authorities and Licensing and Application of the Community Interest Test

Under the proposed model, current venue operators will not need to apply for an EGM authority, as one authority will be endorsed for each EGM the venue currently operates. Venue licences will be issued for up to 20 years and can subsequently be renewed for a further 20 years. It is also noted that EGM authorities can be transferred between venues under common ownership.<sup>13</sup>

Council is concerned over the proposed length of licences granted for EGM operators. A licence period of 20 years seems excessively long given that venue owners will not be paying an up-front fee for the licences. Given that there is no obligation to any party at the end of the current Deed of Agreement, Council considers there should be further examination into why the licences are being locked in for such a long period of time and how this is the best economic outcome for the State.

This was also raised as an issue by the TLGC in their submission to the Joint Select Committee, where they state: *"The TLGC's view is that the duration of licences should align more closely to machine turnover times of around seven years."* The submission also states: *"Without a market-based process there is no opportunity for any stakeholder – community, regulator or other industry players – to influence the shape of EGM location into the future."*<sup>14</sup>

The Hodgman Liberal Government Post-2023 Gaming Structural Framework also stated in relation to EGMs that *"The rights to operate these machines post 2023 will be allocated and priced by a market-based mechanism, such as a tender."*<sup>15</sup>

Further to this, there is no doubt that licences over time will change hands meaning that licences will expire at different times for venue operators. Therefore, there will never be a single date in the future when all licences expire together or another opportunity (like the one we have at present) to make changes.

The length of licences and the fact that they are automatically being transferred to current venue operators also leads to questions around the application of the Community Interest Test (CIT). The venues with EGMs in the City of Glenorchy (and elsewhere) were not subject to the CIT as this was not introduced until 2017. Given that the proposed new Deed would create new arrangements

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<sup>13</sup> Future of Gaming in Tasmania Consultation Fact Sheets – Hotel and Club Changes and Electronic Gaming Machine Authorities

<sup>14</sup> Joint Select Committee Report, p202-203

<sup>15</sup> Joint Select Committee on Future Gaming Markets, Appendix B: Hodgman Liberal Government Post-2023 Gaming Structural Framework, p 173

going forward, it would be appropriate for the CIT to apply and give the community a voice regarding EGM location and density.

Venues under common ownership will be able to move their EGM authorities between venues if they do not exceed venue caps<sup>16</sup>, which allows for a concentration of machines. This could have a large impact on community and is also not subject to a CIT test.

The application of the CIT is particularly relevant given that we know that EGMs are specifically located in low socio-economic areas. The fifth Social and Economic Impact Study confirms this: *“Sixty per cent of hotel and club EGMs are located in the 13 most socio-economically disadvantaged LGAs which contain just under 44 per cent of Tasmania’s 20-and-over population.”*<sup>17</sup> The SEIS also notes that the majority of EGM gamblers had played EGMs in hotels<sup>18</sup>. The new Policy provides an opportunity to reconsider EGM location to lessen the impact of problem gambling.

In the Joint Select Committee Report, recommendation four is that: *“The Government work actively with communities that are concerned with the density of EGMs in their local area to enable voluntary mechanisms to reduce the number of EGMs.”*<sup>19</sup> Applying the CIT at the end of the current Deed would demonstrate how this recommendation is being met.

It is also noted that the number of EGM authorities held by a venue owner or ownership group will be capped at 25%. This may result in single venue EGM operators struggling against large, multi-venue businesses further driving consolidation of ownership of EGMs throughout the State. Whilst this has benefits for multi-venue businesses as they will have an economy of scale and a larger market share, it is unsure what the impact will be on smaller businesses. There is also a risk of venues having to compete for market share and thus providing incentives for players to go to their venues and play EGMS, which could lead to increased gambling harm.

In summary:

- Given there is no obligation to any party at the end of the current Deed, why are the EGM authorities being distributed for 20 years?
- Why isn't a market-based process being used at the end of the current Deed as indicated by the Hodgman Liberal Government Post-2023 Gaming Structural Framework and as recommended by the TLGC?
- Does the length of licensing provide the best economic benefit to the State, or only to some parts of the gaming industry?
- Given there is new licensing from 2023, why does the CIT not apply?
- Why will venues under common ownership be able to change ECM density by moving EGM authorities between venues without the CIT applying?
- Under the proposed model, how is the Government working with communities that are concerned about the density of EGMS in their local area as recommended by the Joint Select Committee?

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<sup>16</sup> Future of Gaming in Tasmania Consultation Fact Sheet –Electronic Gaming Machine Authorities

<sup>17</sup> Fifth SEIS Volume 1 – Industry Trends and Impacts Executive Summary page iii

<sup>18</sup> Fifth SEIS Volume 1 – Industry Trends and Impacts Executive Summary page ix

<sup>19</sup> Joint Select Committee on Future Gaming Markets Final Report, p21

## Compliance

As noted, under the Policy the operation of Keno and EGMs in hotels and clubs will move from the current single Gaming Operator model to an individual venue operator model, with a Licensed Monitoring Operator (LMO) to monitor the Statewide EGM network<sup>20</sup>.

A 20-year Monitoring Operator's Licence will be put out to public tender, with the LMO monitoring the network of EGMs in hotels and clubs and providing information for regulator and taxation purposes. It is not clear how the proposed model responds to and plans for the new responsibilities of LMO and there is concern that the LMO will also be allowed to own EGM venues, which could lead to an unfair advantage and a conflict of interest given that the LMO will have access to specific individual venue data.

With venue operators being responsible for almost all aspects of EGM operations in their venue, there is no information in the Policy regarding what support operators will receive and how they will be able to effectively manage compliance on top of their other functions.

In the TLGC's submission to the Joint Select Committee, they said: *"The TLGC has a long record of dealing with licence breaches by individual venue operators despite the strong harm minimisation contained in Commission Rules and the Responsible Gambling Mandatory Code of Practice. For example, there are significant self-exclusion issues in venues. The compliance issues particularly for small venues that would become owner/operators of EGMs remain a concern for the TLGC and there (sic) nothing in the proposal that addresses this concern."*<sup>21</sup>

In summary:

- How does the new model plan for the new responsibilities of the LMO?
- Is there a conflict of interest in the LMO also being able to own EGM venues?
- How does the new model address and support increased responsibilities for venue owners?
- How are the TLGC's concerns re: compliance issues being addressed?

## High Roller Casinos

It is noted that from 1 July 2023, there will be two general casino licences issued to Federal Group. There will also be legislative amendments that provide for the operation of two non-resident high-roller casinos, one in the Northern Division of the State and one in the Southern Division of the State which will be offered to MONA. Only non-residents of Tasmania will be allowed to gamble in the high-roller casinos.<sup>22</sup>

While the introduction of the high roller casinos has no direct impact on City of Glenorchy residents (other than that they will not be allowed to use the casinos) Council questions the lack of a transparent public assessment process of the casinos, and also a lack of detail as to the proposed regulatory arrangements.

There is widespread publicity currently regarding breaches of money laundering laws, with owners of casinos in five cities in Australia under investigation. While Council is not suggesting that this is an issue in Tasmania it is certainly a governance risk, and we would support further discussion around what capacity the State currently has to regulate those risks.

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<sup>20</sup> Future of Gaming in Tasmania Consultation Fact Sheet – Licensed Monitoring Operator

<sup>21</sup> Joint Select Committee Report, TLGA submission, p 202

<sup>22</sup> Paper 2 – Proposed Future Gaming Market Legislative Provisions – General Casino and High Roller Casino

There are also questions around the lack of any public assessment regarding the new casinos. Council believes that the broader community should have the opportunity to be consulted specifically around such a major change. Given the CIT applies to EGMs, we would consider that there should be an extension of this to the new casinos.

In summary:

- What regulatory mechanisms are currently in place to regulate risks for the new high roller casinos?
- Why has there been no public assessment of the high roller casinos and their location?

### Conclusion

In the Government's introduction to the current consultation, it is stated that the aim of the Policy is to *"Create a sustainable industry; provide the highest standards of probity; ensure returns from the gaming industry are shared appropriately among the industry, players and the Government representing the community; and continue to minimise harm caused by problem gambling."*<sup>23</sup>

To achieve these aims, Council believes that there is more that can be done. Before any legislation is passed, we ask that further consideration is given to the Policy, particularly in relation to harm minimisation and consumer protection. There is currently a unique situation to ensure the best health, social and economic outcomes for the Tasmanian community, and we urge the Government and all members of Parliament to consider what is best for the State long term and make the most of the current opportunity before them.

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<sup>23</sup>Stage 2 Future Gaming Market Public Consultation – Submission Process